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NEWS SUMMARY

GENERAL

Vance resumes arms talks

Mr. Cyrus Vance will go to Moscow later this month to resume protracted talks on strategic arms limitation, it was announced in Washington as the U.S. Secretary of State ended a fourth day of talks with Soviet Foreign Minister Mr. Andrei Gromyko.

Mr. Vance and Mr. Gromyko said the talks had been "constructive," with movement in the bargaining position of both sides.

But the fact that more top-level talks are needed has dashed hopes that the Washington talks, which included a four-hour meeting between Mr. Gromyko and President Carter on Saturday, might achieve a final breakthrough in the five-year talks for a SALT 2 treaty.

Princess better

Princess Margaret was last night feeling better, after being confined to bed with a fever aboard the New Zealand frigate Otago. It is hoped that she will be well enough to fly to Sydney today to recuperate.

Mark hunt fails

A search by more than 1,200 volunteers and police in South London failed to find any trace of Dulwich schoolboy Mark Berkshire, 11, missing since last Monday.

Wildfowler killed

A 20-year-old man shot by soldiers in Ballygawley, Co. Tyrone, was a wildfowler, the Army said. The man was carrying a gun and was mistaken for a terrorist. The Royal Ulster Constabulary is investigating the incident.

Mourners queue

Thousands of mourners queued in pouring rain to file past the body of Pope John Paul in St. Peter's Basilica. The Rome funeral takes place on Wednesday. Conclave of Cardinals Page 2

Envoy family shot

The wife and daughter of the Austrian Ambassador to Turkey were killed by a gunman on a beach near Fethiye, on the Mediterranean coast.

Gun battle

Two policemen and a suspected member of Italy's Red Brigade urban guerrilla group were wounded in a Milan gun battle. All three were taken to hospital.

Alleged winner

Lester Piggott rode Alleged, owned in Ireland by Vincent O'Brien, to a second successive victory in the Prix de l'Arc de Triomphe, Europe's richest horse race, in Paris. First prize was worth £140,000. Dominic Wigan, Page 12

Karpov resigns

Champion Anatoly Karpov resigned the 28th game of the World Chess Championship, allowing challenger Viktor Korchnoi to score his third win against Karpov's five.

Briefly . . .

At least 58 people were drowned when their bus skidded off a road near Calcutta into deep flood waters. Flood deaths, Page 2

Alleged tapping of the home telephone of the Economist editor Mr. Andrew Knight last week was the result of a crossed line. Men and Matters, Page 14

Weekly £50,000 Premium Bond Prize winner lives in Hull. The winning number was 2AW 007513.

Peking park were thrown open to the public as China celebrated its 29th anniversary of Communist rule.

Ventriloquist Edgar Bergen died in Las Vegas. He was 75.

BUSINESS

Spending helps order books

● RECENT increases in consumer spending have had direct impact on the level of manufacturing industry's order books, according to two surveys of industrial opinion.

The CBI's monthly inquiry into industrial trends reports a sharp increase both in total order books and overseas orders, and is the most optimistic for many months.

The Financial Times survey of business opinion also shows that consumer spending is working its way through to industry, and forecasts for stock and production have risen. Back and Page 7

● LEYLAND VEHICLES, the truck, bus and tractor subsidiary of BL, will only survive if it merges or co-operates with another large truck supplier a BL consultant and former managing director of Leyland Vehicles has warned. Back Page

● JAPANESE car shipments are expected to fall considerably in the next few weeks as a result of renewed assurances from the Japanese Ministry of International Trade. Back Page

● MOVES towards a new European monetary system linking the currencies of the Nine need closer examination, senior members of the Commons Expenditure Committee feel. They are considering mounting a public inquiry into the negotiations. Page 4

● UK OFFICIAL reserves remained steady last month. Treasury figures to be released tomorrow are expected to show. Over the month there was little direct pressure on sterling, with changing sentiment towards the dollar being the main influence on exchange markets. Page 5

European steel criticised

● EUROPEAN steel industry has been criticised by Japanese and U.S. steel industry leaders gathering for the International Iron and Steel Institute annual meeting at Colorado Springs, for causing new instability in world trading by selling cheaply into overseas markets. European sales to the U.S. alone reached 748,000 tonnes in July and 661,000 tonnes in August. Back Page

● THORN ELECTRIC is to close its refrigerator and freezer plant at Hartlepool with a loss of about 400 jobs. The factory was established only three years ago to serve the export market. Back Page

● UK CONSUMPTION of fuel oil rose by nearly 3 per cent in the first six months of this year according to the Institute of Petroleum. Demand for petroleum products as a whole rose 3.1 per cent, while motor spirit went up by 6.6 per cent. Page 1

● A BLOCKAGE in one of the North Sea oil pipelines which threatened further delays in production build up through the Sullom Voe terminal has been cleared over the weekend, when engineers for the Esso/Shell partnership discovered an obstruction 50 miles from the shore.

● ARAB investment bank, the Banque Arabe et Internationale d'Investissement, is to take a 10 per cent equity stake in the Italian chemicals conglomerate Montedison. Back Page

● AUEW general secretary has attacked the striking toolmakers at SU Fuel Systems for "rebellious indiscipline." Mr. John Boyd has urged that the strikers be penalised for ignoring a union directive to return to work. Page 6

● COOPERATIVE store sales rose by 11.2 per cent last year to £2.54bn according to figures published by the registrar of Friendly Societies. Trading stamps and dividends accounted for only £33m—1.3 per cent of sales, against 1.49 per cent in 1976. Page 4

CONTENTS OF TODAY'S ISSUE

FEATURES

W. German cartel veto on BP's £210m Veba deal

BY ADRIAN DICKS: BONN, Oct. 1

The West German Federal Cartel Office has turned down British Petroleum's ambitious bid to strengthen its position in West Germany through a DM 800m (about £210m) deal with Veba, involving the purchase of most of its Gelsenberg subsidiary.

In a decision released tonight in Berlin, the Cartel Office made clear that its objections centred on BP's acquisition from the Veba group of a 25 per cent holding in Ruhrgas, West Germany's largest importer and distributor of natural gas.

Deutsche BP, whose chairman, *Herr Hellmuth Buddenberg, put* together the complex deal with Veba, made clear tonight that it intended to fight the Cartel Office veto.

Besides the 25 per cent stake in Ruhrgas, the deal would give Deutsche BP about 1,000 additional petrol stations, about 5.3m tonnes a year in extra refining capacity, and a 31 per cent stake in the consortium building a liquid natural gas importing facility at Wilhelmshaven.

The Cartel Office made clear that it disliked two features of the Ruhrgas deal which, taking account of BP's existing small holding, would give the group a blocking minority.

First, the Cartel Office opposes further concentration of interests by the international oil majors. In addition to Veba, which would retain a small stake in Ruhrgas, and BP, Shell, Exxon, Texaco and Mobil all have holdings in Ruhrgas.

The office fears that by giving virtually all the large oil companies active in West Germany a share in Ruhrgas, the opportunity would be created for them effectively to set their own terms for oil and natural gas sales, two fuels which would otherwise compete with one another.

The Cartel Office's second objection is that by buying into Ruhrgas a company which already has a commanding position in the natural gas market, BP would not only considerably strengthen Ruhrgas, but would itself disappear as a potential new entrant into the market.

This argument appears at first sight to follow closely the reasoning which led the Cartel Office to forbid GKN's takeover of the Sachs motor components group.

In a brief statement reacting to the decision tonight, Deutsche BP said it would take all possible legal steps "and in particular the further recourse provided for by the Cartel Acts," to pursue the deal to "a positive conclusion." The board of Deutsche BP meets tomorrow to consider its next move. The company has a choice between contesting the Cartel Office decision in the courts or appealing directly to Count Otto Lambsdorff, the Minister for Economic Affairs for an exemption on grounds of overriding public interest. It is possible it may pursue both lines of action.

GKN, whose attempt to buy the Sachs group was abandoned earlier this year, chose to fight the Cartel Office through the courts, but lost its case in the Supreme Court. It then considered, but finally withdrew from, an application to the Economics Minister.

The BP-Veba deal raises very much more complex issues for the West German Government. For a start, the Government is itself the dominant shareholder in Veba with a 44 per cent stake.

It has been Bonn's policy for many years now to strengthen Veba as a large integrated energy concern that *could eventually* offset the vulnerability which West Germany feels because none of the international oil majors is controlled by German capital. As in BP's own case, however, the Government *has seldom intervened in Veba's* business.

After the deal with BP was announced in mid-June, Veba made clear that it saw this as

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Two options for BP Page 4

New move to lower Swiss franc exchange rate

BY JOHN WICKS ZURICH, Oct. 1

SUBSTANTIAL intervention on the currency market and the promotion of Swiss franc loans to foreign borrowers are the major provisions in new moves to bring down the Swiss franc exchange rate.

Announcing the measures today, the Swiss National Bank said the primary aim was to effect a "rapid and lasting weakening of the plainly over-valued Swiss franc."

National Bank purchases of dollars and other currencies are to be "vigorously continued and, if necessary, increased." Help is to come from other central banks, as long as their own monetary goals are not jeopardised by joint action, and co-operation with the U.S. Federal reserve system has been guaranteed. The target of the new measures is the raising of the D-mark-Swiss franc exchange rate well above the 80 centimes level achieved at the end of last week, says the National Bank. Some days earlier it had touched an all-time low of 72.5 centimes.

Foreign lending regulations will be relaxed with foreign borrowers in future having to convert only one-half of Swiss franc proceeds into dollars with the National Bank, instead of the whole sum, as at present. The remaining 50 per cent may be exchanged on the free market with Swiss commercial banks.

Non-resident investors will be able to subscribe up to 50 per cent of foreign Swiss franc issues instead of the 35 per cent limit laid down in February.

The monetary authority says it is prepared to facilitate investment of liquid assets in foreign currencies by major industrial concerns in Switzerland and would also co-operate in any schemes to finance additional raw material imports or the expansion of strategic reserves.

Apart from these measures to encourage commercial sales of Swiss francs, the authorities are to adhere to their present low-interest policy. Since high market liquidity is seen as a pre-requisite for a continuation of the current falling interest trend, the National Bank says it will not reduce liquidity but if necessary further increase it.

The National Bank is discussing the extension of exchange-rate guarantees with the Swiss banking system. These aids would act as a support for exporters and the tourist industry. Until now, foreign exchange guarantee facilities have been available only to the watch, textile and clothing industries.

Fed tightening credit policy

BY STEWART FLEMING NEW YORK, Oct. 1

THE Federal Reserve Board appears to be tightening credit conditions again in the U.S. in spite of growing political concern about the rising cost of credit.

On Friday afternoon, for the second consecutive day, the Central Bank allowed federal funds — reserves banks lend to each other—to trade at 8⅝ per cent before moving to inject additional reserves.

Before these moves it had been assumed in the money markets that the Fed was aiming at *an average federal funds target* of 8½ per cent. Now, many money market economists are assuming that its target has shifted up a fraction to 8⅝ per cent.

The money markets will be watching closely at the beginning of this week for confirmation of their suspicions however. Through much of last week the central bank had difficulty in controlling the Fed funds rate —the key short-term interest rate for the central bank's monetary policy.

Many money market economists feel that there is ample evidence in the money supply data of the past few months and the continued resilience of the economy to justify a decision by the Fed to aim for at least an 8⅝ per cent federal funds rate.

Mr. Alan Lerner, senior vice-president of money market economics at Bankers Trust, points out, for example, that Thursday's rise of $800m in the M1 measure of the money supply for the previous week means that over the previous eight weeks this measure has risen at a rate of 9.8 per cent and the six-month rate of gain is more than 10 per cent.

These rates of increase are well above the Fed's maximum long-term growth rate target of 6.5 per cent and intensify inflationary fears in the money markets. There is some concern too that the money supply will show another surge in the first week of October, the beginning of a new quarter.

In some economists' eyes, however, the technicalities surrounding the Fed's monetary policy are now likely to be affected by a shift in the political environment.

It is assumed that the central bank will be cautious about putting further upward pressure on rates in the wake of clear warnings from President Carter that he believes that interest rates have moved high enough.

Moreover, he coupled these warnings with the argument that the Administration's fiscal policy and its efforts to cut the federal budget, would take some of the pressure off the central bank in the fight against inflation.

With the Administration expected to reveal a new, and, it says, tougher anti-inflation policy in the next few weeks, it is argued that the central bank may be reluctant to put further pressure on short-term interest rates. However, market forces could still force some rates up.

£150,000 more aid for Kirkby

BY MICHAEL CASSELL

THE GOVERNMENT will provide up to £150,000 in short-term aid to the troubled Kirkby Manufacturing and Engineering Workers' co-operative on Merseyside while a working party examines ways of saving it from collapse.

The announcement of more aid and an independent inquiry came last night on the eve of the Labour Party conference at Blackpool. [illegible] failed last week to [illegible] for the cooperative and there were fears that [illegible] would [illegible] to force the Government to take immediate action.

The Department of Industry announced last night, however, that temporary aid to meet losses of up to £150,000 would be made available to keep the co-operative in operation until the working party's report was available.

The working party will be chaired by Mr. Douglas Hague, deputy director of the Manchester Business School, and [illegible] the co-operative and the Department of Industry. It will hold a meeting this morning with Mr. Alan Williams, Minister of State for Industry, and has been asked to report as soon as possible.

[illegible] of the co-operative, which makes central heating radiators and which has received nearly £5.5m in Government grants since 1974.

The Department of Industry said the group would be free to recommend any plans including changes in the co-operative's corporate structure. The department said: "The Government has said it will not accept responsibility for the existing financial liabilities of KME but that it will provide temporary assistance to enable it to carry on while the working party sits."

Earlier this year, a management consultants' report said that, among urgent changes needed, an injection of £2.9m over three years was required if the co-operative was to have a viable future. A few weeks ago, however, the Cabinet rejected a plea for the money.

The Kirkby complex supplies about 10 per cent of the UK radiator market and there are fears that its collapse at this time would lead to a rush of imports.

CALLAGHAN SEEKS TO AVOID CONFRONTATION ON PAY

Labour bid to heal breach

BY RICHARD EVANS, LOBBY EDITOR

MR. JAMES CALLAGHAN was still on a collision course with major trade unions over pay last night, in spite of frantic attempts within the Labour Party's National Executive Committee to heal the growing breach before today's crucial Blackpool conference debate on economic and pay policy.

Mr. Callaghan is even reported to have told colleagues that he would be unable to carry on if he could not retain trade union support for his counter-inflation policies, and much will depend on how seriously union leaders and party activists take this *threat*.

The Prime Minister succeeded at a tense meeting of the NEC in heading the party's ruling body away from a direct confrontation over the 5 per cent pay guidelines, but it could prove to be a hollow victory.

There remains every prospect of a huge defeat for the Government in the debate, because of the continuing hard-line attitude of the Transport and General Workers' Union and the Amalgamated Union of Engineering Workers, which together control the major bloc votes.

Such a defeat would be the most humiliating suffered by Mr. Callaghan since he became Prime Minister and party leader two and a-half years ago and it would not augur well for Government-trade union relations during the winter and in the run-up to the next general election.

The lengthy and, at times, acrimonious bargaining over the resolutions to be put to conference took place at a meeting of the NEC regarded as the most significant for several years.

On the outcome depended not only future relations between Government and unions, but the prospects for Labour's retention of power at the next election.

The argument raged principally over an uncompromising resolution from the Liverpool Wavertree constituency party which rejected any form of wage restraint and instructed the NEC to organise a campaign against control of wages.

The compromise reached by a vote of 15 to 11 was that the NEC should recommend remission of the motion on the understanding that it would then be discussed fully by the Labour Party-TUC liaison committee.

The big question now is whether this compromise will be acceptable to the conference today, following the decision of *the major unions*, and the known hostile attitude of many constituency delegates, towards rigid application of the 5 per cent pay norm.

If the reference back, to be moved by Mr. Michael Foot, is rejected, the party leadership including Mr. Callaghan and the NEC, will be in direct conflict with the big unions and the rank-and-file.

In such circumstances, the only compensation for Mr. Callaghan would be that he had prevented the NEC *from openly* joining the opposition to his policy.

From all accounts Mr. Callaghan took an extremely tough line in the discussions on pay, and at one stage commented that he was not going to be in the business of presiding over the affairs of a country if the Labour movement was committed to a policy that would reverse the trend of inflation back to 25 per cent.

He challenged the NEC directly to declare what rate of inflation it wanted to see in the coming year and what wage levels would be necessary to achieve this.

The Prime Minister insisted that he wanted to avoid confrontation, but he could not accept a policy for the Government if it would worsen the standard of living of the British people.

Christian Tyler writes: If the hostile incomes policy motion is debated today, it will get the support of the two biggest trade unions affiliated to the Labour Party—the Transport Workers

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Ford imports 'blockaded'

BY NICK GARNETT, LABOUR STAFF

A COMPLETE blockade of Ford car imports from Europe into Britain has now been set up, senior union shop stewards *at the company claimed yesterday.*

Union officials said dockers at Hull and Harwich, the two principal entry-points for Ford imports, were now refusing to *handle the cars* although apparently this has still to be formally ratified by dockers' mass meetings.

Ford imports up to a third of the cars it sells in Britain, including all Capris and Granadas and a percentage of *Cortinas and Fiestas.*

In an attempt to tighten the grip on imports, Transport and General Workers' Union convenors said, the International Metalworkers Federation would be instructing European unions with members on the docks not to handle Ford cars destined for Britain.

London docks outline deal

BY IAN HARGREAVES

THE PORT OF LONDON Authority and leaders of dock workers' unions have reached outline agreement on reducing the number of jobs at the port's Upper Docks by 1,400 in the next year. This would reduce the labour force by over a quarter.

The agreement was reached late on Friday after several weeks of negotiation between a joint PLA-union committee.

Although it is regarded by both sides as a significant step forward, a number of hurdles remain before a fully-costed demanning plan can be made. This plan must be with the Government by the end of this month to release a £35m grant designed to secure the future of the port.

Reaction

The first problem could be the reaction of rank-and-file dockers when the nine-man committee reports to a wider representation of dock workers' representatives, probably later this week.

The second is the fact that white-collar workers in the port, represented by the National and Local Government Officers' Association, have not so far joined *the manual workers' unions in* the understanding arrived at last week.

Though the number of white-collar workers involved in the job reductions would be relatively small, there is little chance *of other unions agreeing to* sacrifices which are not equally shared. There is already some resentment at the position of office staff, who stand to gain better severance terms for redundancy because of their *position in the pension scheme.*

Under the terms of the agreement reached so far, the 1,400 reduction would be achieved by voluntary redundancy, although it is not yet clear on what financial terms the redundancies would take place.

The Government was advised by a Price Waterhouse report on the port earlier this summer that it would be necessary to raise the existing payments available to buy men out.

Target

Price Waterhouse said that 2,500 jobs were surplus to needs at the port, even with retention of the Royal Group of docks, *which the PLA has been for*bidden to close by the Government.

The PLA's own job reduction target is 2,050, still regarded as a feasible one, between now and 1983. The Authority wants the Government to send out the grant in tranches payable only as specific manning targets are achieved.

OVERSEAS NEWS

More flood deaths in West Bengal

BY K. K. SHARMA

NEW DELHI, Oct. 1

AS THE death toll in floods in the state of West Bengal topped 156, a Government spokesman said in Calcutta today that flood levels show "little sign of relenting." The situation in the 12 districts affected has deteriorated and reports of large-scale damage to factories, railways, roads, houses and crops are coming in.

The West Bengal Chief Minister, Mr Jyoti Basu, told reporters: "The casualty list is still incomplete. We fear many more have died but full information is yet to reach us because of communication difficulties." He has cancelled a public holiday tomorrow to enable relief work to continue.

The state government has three major problems to tackle: disruption of road communications between waterlogged Calcutta and the flooded districts, shortage of rice and an inadequate number of boats to carry out rescue operations. The Army is conducting its relief work on a war footing and the Air Force is dropping food and medicines round the clock.

The extent of the disaster will be known only when reports come in from the affected districts but the damage is colossal and will inevitably affect the West Bengal economy, which has already been hit by power cuts and shortage of resources. In Calcutta alone, at least 1m people are said to be homeless.

Strikes hit Iran's public sector

BY ANDREW WHITLEY

TEHRAN, Oct. 1.

A RASH OF STRIKES has spread across Iran's public sector, in support of wage demands. The most serious began today when staff of Bank Melli, the state-owned banking giant, with 1,800 branches, walked out.

Bank Melli acts as the Government's receiving and disbursing agency for all official salaries, payments and utilities. Observers believe that the strike could soon cause considerable difficulty. Bank Melli has over a third of the banking system's total deposits, and in recent weeks has been helping banks with liquidity problems.

Public-sector employees in Iran have been much worse paid than their private counterparts, and the political opening up of recent months has given them a chance to press their case. The strikes have no political implications except as a reflection of the depth of discontent in one of the few remaining sections of society that the Shah can rely on.

The Bank Melli strike is understood to have been provoked by a substantial wage rise awarded to the Central Bank of Iran, Bank Markazi, staff 10 days ago. The central bank had sought to restore a traditional differential it held over other banks, and at the lower end of the pay scale wage awards up to 50 per cent are understood to have been made.

Meanwhile employees of the Telecommunications Company of Iran began a strike yesterday. Maintenance work on telex and telephone lines was affected first.

In Khuzestan province, where Iran's main oilfields are, a week's strike by several thousand daily paid workers is thought to be continuing.

Iran today underwent its first political general strike since the imposition of martial law three weeks ago. The strike which was largely successful in closing shops and bazaars in Tehran and eight provincial cities was called by opposition groups to protest against the alleged house arrest in Iraq of the exiled religious leader Ayatullas Khomeini.

The National Front, the main political opposition, said the strike had closed shops in much of the capital, and in the cities of Kermanshah, Qazvin, Yazd, Mashad, Shiraz, Tabriz and Qom.

Only minor disturbances were reported, except in Mashad, in the north-east, where a police colonel and his driver were killed in a terrorist attack.

Reuters adds from Tehran: The Government today offered an amnesty to militants among the 50,000 Iranian students living abroad. The offer said that the students would not be prosecuted when they came home if they respected the constitution and the "independence territorial integrity and freedom of Iran."

Bitter mood as French Assembly resumes

BY DAVID CURRY

PARIS, Oct. 1.

FRANCE'S National Assembly starts its autumn session tomorrow with its 491 members in a surly but helpless mood.

The Government side, on edge because of by-election defeats, knows it has no hope of persuading M. Raymond Barre, the Prime Minister, to soften either his image or his economic strategy.

The Socialists and Communists, still blaming each other for their election defeat, know that the forthcoming Socialist censure motion on economic strategy has no hope of being passed.

The most bitter are the Gaullists. For the first time at their pre-parliamentary meeting they were posing openly the question of their continued membership of the Government coalition. M. Jacques Chirac, party leader, and M. Michel Debre, former Prime Minister, have accused the Government of following the wrong path since the election and of betraying the conservative electorate. Their protest is weakened by their failure to agree on whether the country needs a more rigorous economic strategy to curb inflation or immediate reflation to tackle unemployment.

President Giscard d'Estaing has seized the occasion of the twentieth anniversary of the drawing up the constitution of the Fifth Republic to emphasise that if he faces a parliamentary revolt he will dissolve Parliament. A new election would almost certainly lead to left-wing gains.

The mood is scarcely cheerful on the left. The Socialists, despite being the clear winners of recent by-elections, know that their leadership is perilously close to an open dispute between M. Francois Mitterrand, who broadly represents the strategy of the left as a whole, and M. Michel Rocard, the closest thing to an heir-apparent. M. Rocard has been talking increasingly about a separate Socialist strategy.

The Communists, who appear to have contained post-election dissidence in their ranks have fared dismally in the by-elections. They are doubtless waiting to see which way the Socialists jump before deciding whether to press ahead with their current strategy of appealing to the "workers" and the "poor" or whether to try to appeal to a broader spectrum to take advantage of any Socialist drift towards the centre.

Railmen go back in the U.S.

By David Lascelles

NEW YORK, Oct. 1.

THE THREAT of serious dislocation to the U.S. economy was averted this weekend when striking railway workers obeyed a court order to return to work, pending the outcome of an investigation ordered by President Carter.

Trains were reported to be rolling again in most parts of the country today, though railway officials said that it would be several days before normal service was restored throughout the strike-hit areas, which comprise most of the country except the north east.

The strike was sparked off last week by a dispute between Norfolk and Western Railway, an important carrier in the centre of the country, and the Brotherhood of Railway and Airline Clerks over plans to automate the railway's operations. Workers at other railways soon came out in sympathy, mainly because Norfolk and Western was receiving $800,000 a day from other railway companies under a mutual aid agreement.

On Thursday, President Carter appointed an emergency board to investigate the dispute, and on Friday night a federal judge signed a temporary restraining order compelling strikers to return to work for a 60-day cooling-off period. Although there was initially some doubt about how the unions would react to these moves, it was clear by Saturday that they would comply.

Washington is likely venue for Israeli, Egyptian peace talks

BY L. DANIEL

JERUSALEM, Oct. 1.

THE ISRAELI Government has *apparently agreed that the negotiations* on the details of the Egyptian-Israeli peace treaty will be held in Washington. They will start immediately after Yom Kippur, that is after October 11. The proposal to hold the talks in Washington was put forward by Mr. Alfred Atherton, the U.S. Envoy in talks here.

Mr. Menahem Begin, the Israeli Prime Minister, is likely to present the U.S. proposal for approval to the cabinet at its next session after the Jewish new year holiday, which starts tonight. The Israeli delegation to the peace talks will be headed by Foreign Minister Moshe Dayan.

Meanwhile Mr. Begin warned that if the autonomous Administrative Council, which is to be set up in the West Bank and Gaza, were to decide to establish an independent Palestinian state, Israel would consider this illegal and a breach of the agreement hammered out at Camp David. Expressing this view in an interview with the afternoon paper Ma'Ariv, he added that Israel would not stand by idle in such a case.

Mr. Begin returned home today for several days' rest after entering hospital on Friday at his own request. Tests indicated that his health was reasonable and that he was suffering from fatigue and not from any recurrence of his heart ailment.

Roger Matthews in Cairo writes: While some tough bargaining lies ahead, the three-month deadline for the signing of a treaty with Israel, is still believed here to be realistic.

The Egyptian negotiating team, which will probably be led by Deputy Premier and War Minister General Mohammed Gamassy, is particularly anxious to secure an exact timetable for each stage of the Israeli withdrawal from occupied Sinai to *prevent any* subsequent haggling.

There is far less optimism on the question of the broader framework for Middle East peace agreed at Camp David. Egyptian officials believe it vital that further progress should quickly be made on the Palestinian issue, in particular on persuading Israelis to accept the freezing of any further West Bank settlements during the next five years.

President Sadat meanwhile put the final touches to a major speech that he will deliver tomorrow on the outcome of the Camp David talks and on his plans for restructuring the Government.

Reuter adds from Bahrain: King Hussein of Jordan toured Gulf states today seeking support of moderate Arab Governments for a common stand on the Camp David agreements. He arrived in Bahrain from Kuwait today after visiting Saudi Arabia yesterday.

Jordanian officials said that the King told Saudi Arabia's Crown Prince Fahd during talks in Jeddah last night that Jordan could not be expected to commit itself to terms agreed in the Camp David accords to which it was not a party. He would tell other Gulf leaders the same, the officials said.

David Salter reports from Moscow: President Hafez Al-Assad of Syria is to visit the Soviet Union. The Tass news agency, which announced the visit today, gave no precise dates. It said the visit, the second by the Syrian leader to Moscow this year, would be early this month.

Leslie Colitt in Berlin adds: Syria's President Assad today began an official visit to East Germany, the first to a Communist country after the anti-Sadat meeting in Damascus pledged closer links with the Soviet Union and its allies.

Beirut ceasefire collapses

BEIRUT, Oct. 1.

HEAVY GUNFIRE wrecked a fragile ceasefire in Beirut today as a defiant right-wing leader vowed that his militiamen would continue fighting until they had forced the last Syrian soldier out of Lebanon.

Sporadic mortar and automatic weapons fire gained in intensity shortly after President Elias Sarkis had held urgent talks aimed at prolonging the uneasy truce which ended 10 hours of fighting in the Christian east of the city yesterday.

Local radio and newspaper reports estimated that at least 250 people were killed or wounded in yesterday's clashes.

Residents said the ceasefire collapsed this afternoon when *shells began slamming into three* Christian districts.

The fighting is the latest round in a savage war of attrition between the Christian militia and Syrian troops attached to the Arab force. The senior Christian leader, Mr. Camille Chamoun said the destruction would not deter his men from fighting until the end. Reuter

Fatah attempts Eilat raid

TEL AVIV, Oct. 1.

ISRAEL'S NAVY has captured seven Palestinian guerrillas who were sailing to attack the port of Eilat, the Defence Ministry in Tel Aviv announced today.

An official said the guerrillas had planned to bombard Eilat with rockets before escaping to the Jordanian port of Aqaba.

A small craft carrying the guerrillas was seen by an Israeli patrol vessel just south of Dahab at the southern end of the Gulf of Aqaba. The Palestinians ignored warning shots and tried to sail off. The Israelis then fired at the guerrilla craft and sank it.

The guerrillas, three of whom were wounded, surrended. Under interrogation, they said they belonged to El Fatah.

Mr. Yassir Arafat, the El Fatah leader, threatened to unleash new attacks after the Egyptian-Israeli agreements at Camp David.

In Jerusalem a bomb exploded in the centre of the city as Israelis celebrated the Jewish New Year's Eve. Police said nobody was hurt but several buildings were damaged. Security forces cordened of the area and *arrested several dozen people for* questioning.

In Beirut: The Palestinian news agency WAFA said commandos had inflicted heavy casualties on Israeli targets south of Eilat and had destroyed or *damaged several Israeli vessels* berthed in the port. The agency said two guerrillas were killed and seven captured during the operation which took place yesterday.

Reuter

Refusals anger Rhodesia

BY TONY HAWKINS

SALISBURY, Oct. 1

RHODESIAN TRANSITIONAL government leaders reacted angrily today to the US decision to refuse entry visas to Mr. Ian Smith and Chief Jeremiah Chirau. All four leaders of the transitional government—Mr. Smith, the Chief, Bishop Muzorewa and the Rev. Sithole—had been invited to make a public relations tour of the U.S. by 27 conservative American senators, but at the weekend Rhodesian officials were told that Whitehall had refused Mr. Smith a Heathrow transit visa and that the U.S. State Department had refused visas to two of the four members of the Executive Council.

Mr. Sithole said the U.S. only wanted to hear one side of the story — that of the Patriotic Front, whose leaders had been allowed in.

The decision to ban Chief Chirau is particularly ironic since on Saturday he became the sole member of the four-man executive to welcome and support the Anglo-American call for an all-party conference on Rhodesia.

Chief Chirau said: "The United States is doing nothing to help the people of my country. All they want to do is to help the other side—to help the Communists."

Meanwhile casualty figures in official communiques show that September was the bloodiest month of the 5½-year-old guerrilla war to date. A total of 791 people died in the fighting last month—the previous worst having been in July when there were some 525 casualties.

In London: Officials said it had been pointed out to Salisbury that Mr. Smith would make himself liable for prosecution if he landed in Britain.

● Sir Roy Welensky, 71, former Prime Minister of the Federation of Rhodesia and Nyasaland, has entered hospital for observation. His daughter said his admission to hospital was not related to his known heart condition.

Botha silent on Namibia

BY QUENTIN PEEL

JOHANNESBURG, Oct 1.

SOUTH AFRICA has yet to give a formal response to the United a formal response to the Security Council resolution calling on it to co-operate with the UN in implementing its plan for a cease-fire and free elections in Namibia.

Mr. P. W. Botha, the new Prime Minister, and Mr. Pik Botha, his Foreign Minister, met in Pretoria yesterday to discuss the issue.

On his arrival earlier in the *state capital for the first time as* Prime Minister, Mr. P. W. Botha said. "We do not want to challenge the world. We want to co-operate with the free world."

In London: Dr. David Owen, the British Foreign Secretary, said that the October 23 deadline which was set for South African compliance with the UN proposals on Namibia could perhaps be put off if there were any serious possibility of achieving a negotiated settlement.

Interviewed on London Weekend Television, Dr. Owen said it would be right for Britain to use a veto in the Security Council to get the deadline extended if there was a real chance of a peaceful settlement.

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WORLD TRADE NEWS

Heating companies' U.S. drive

By Ray Dafter

BOSTON Oct. 1.

UK MANUFACTURERS of off-peak storage heating systems and related equipment who have seen the UK market contracting over the past five years are making an early bid to break into the U.S.

The UK companies which are now completing a trade mission to the U.S. and Canada have been quick to spot a new direction in North American energy policies. Load management in electricity generation is being recognised increasingly as an important contributor to energy conservation. The gradual move to a greater proportion of nuclear power generation, with its restricted flexibility in output, means that the U.S. may well have to encourage householders and utility buyers to buy more of their electricity in the off-peak period.

Encouraged by U.S. energy authorities, over 20 states have now introduced some form of off-peak or "time of day" charge for electricity.

This is where the trade mission comes in. The U.S. has very little experience of the storage heating market. "We have both the experience and the technology," said Mr. John Platts, the Electricity ouncil's energy sales manager and mission leader.

The mission has been organised by the British Electrical and Allied Manufacturers in conjunction with the Electricity Council. Companies involved are: Erskine Westayr, GEC Measurements, Heatrae-Sadia, Horstmann Gear Company, IMI Samton, Pactrol Controls, Radyne, Storad, T.I. Creda and Unidare.

Volvo to spend up to £348m on development of trucks

BY KENNETH GOODING

Volvo of Sweden is to spend between Kr. 2,500bn and Kr 3,000bn (£290m to £348m) to further develop its range of trucks, an illustration of the emphasis the group now puts on commercial vehicle manufacturing.

Mr. Sten Langenius, chief executive of the trucks division gave this estimate when introducing two new mid-range Volvo trucks launched today. They represent the final links in the previous commercial vehicle programme which cost Kr 1bn (£116m). It means that all the current Volvo trucks have been on the market less than five years.

Volvo took a decision in 1969 to invest heavily in its trucks business to provide some balance to car manufacturing. Now the group employs more than 10,000 people in the trucks division, mainly in Sweden although there are assembly facilities in seven other countries, including the UK and another is being built in Brazil.

The group made 25,000 trucks last year and the division accounted for around one quarter of Volvo's turnover of Kr 16bn (£1.8bn). Mr. Langenius expects output in 1978 to reach 25,500.

Output is being boosted by the recent deal with the Freightliner Corporation of the U.S. involving the marketing of Volvo trucks in the U.S. and Canada. The Freightliner agreement will give Volvo access to network of 200 sales and service points across the whole continent.

Some 700 vehicles are being shipped to the States this year in preparation for the new venture which is to be launched in January next year.

By the early 1980s Volvo should be selling 3,000 trucks a year in the U.S. and Canada. The total North American market for the 13 to 17 tonne sector Volvo is attacking is around 30,000 vehicles.

The American deal will therefore provide a useful boost to the growth of Volvo's truck division which Mr. Langenius expects to be between 5 and 8 per cent a year.

He said that competition is forcing the faster introduction of entirely new commercial vehicles. Whereas a truck range previously had a life of ten to 15 years it had now shrunk to seven to ten years.

The pace at which new transport regulations were being introduced would also speed up changes. "So we must develop new trucks while improving existing lines."

The two new truck ranges launched today are the F7 and the F6S. They succeed the best-selling F85 and F86 trucks — 41,000 units sold since 1964.

The new Volvos are designed for a wide variety of transport work, from waste collection to medium-heavy long distance runs. There are three engine alternatives, a choice of cabs and a number of different types of chassis.

In the UK, where Volvo has sold 22,000 units since it entered the market 11 years ago, only the F7 will be available.

● Volvo will manufacture and assemble some 1,300 vehicles at its plant in Irvine, Scotland, in 1979 compared with the 800 to 900 this year. The group has invested around £5.2m at Irvine so far, and 350 people are employed at the plant.

The plant is controlled via Volvo's UK wholly-owned subsidiary, Ailsa Trucks, once simply an importer organisation and which the Swedish group acquired three years ago.

The name of the company is to be changed this month to Volvo Trucks. Apart from assembly of trucks, the UK offshoot offers design and engineering consultancy to Volvo Gothenburg and Ghent in Belgium as well as the design and manufacture of integral buses.

Greece may buy tanks from UK

By Our Own Correspondent

ATHENS, Oct. 1

NEGOTIATIONS between the Greek Government and Vickers for a package deal under which Greece would buy British tanks and establish a tank assembly and repair plant are progressing satisfactorily, a spokesman for the British company said here.

Vickers is among 66 British companies exhibiting a wide range of defence equipment on board the British Royal Fleet Auxiliary Tarbatness which arrived in Piraeus last week.

The visit is the first stage of this year's UK defence sales tour which also includes Spain, Nigeria, Brazil, Colombia and Tunisia.

For political reasons, Britain did not sell any military hardware to Greece during the seven years of military dictatorship which ended in July 1974. She is now anxious to regain ground lost to French, West German and Italian competitors.

The negotiations between the Greek Government and Vickers concern the main battle tank. Under a Vickers offer made in 1976, and now the subject of the negotiations, the tank's engine, armour, 105 mm gun and electronic equipment would have to be imported from Britain while the value of the equipment added in Greece would be in the range of 50 per cent.

Vickers salesmen point out to the advantages of a tank assembly and repair plant in Greece, such as the saving of much-needed foreign exchange and the spinoff to Greek industrial plants such as shipyards which would manufacture parts of the tank.

At 38 tonnes, the main battle tank is lighter than other tanks in its category and therefore more suited to Greek conditions and costs around $1m. Competing with it for the Greek market are the German-built Leopard and the French AMX30.

MEXICAN TRADE

Balancing act for Britain

BY WILLIAM CHISLETT IN MEXICO CITY

The annual meeting of the Anglo-Mexican joint commission on industrial and economic co-operation which starts today in Mexico City and ends on Wednesday looks as if it will prove to be the most intense and productive so far.

For Britain, which is holding its largest single overseas promotion in Mexico City from November 8 to 17, the meeting is a last chance to gauge at close quarters the Mexican market and for Mexico, emerging from its 1976 economic crisis, there will be a greater attempt to sell itself.

Mexico will once again raise the sensitive issue of balancing the trade between the two countries—which is very much in Britain's favour—but it is unlikely to get any favourable response to its request given that Britain's attitude is that it is pragmatical to talk of balancing trade with every country with which it trades. What matters is the overall trade position of a country and not balancing with individual countries.

In the first half of this year Britain's exports to Mexico were worth £49m compared to £37m for the same period last year. Mexico's exports to Britain in the first six months of this year totalled £21m.

In 1977 Britain's trade with Mexico totalled £79m and Mexico's with Britain was worth £40m, which was its largest ever, but still leaving the balance 50 per cent in Britain's favour.

At the meeting Mexico will be pushing for increased investment on the part of Britain in Mexico. After the U.S. and West Germany, Britain has the most investment in Mexico. Total foreign investment in Mexico was recently estimated at $8bn with 80 per cent of that by the U.S. Mexico is interested in investment outside Mexico City as part of its decentralising policy, with the capital groaning under the strain of a 13m population.

The sectors in which Mexico is particularly interested in obtaining new investment are agriculture and associated industries machine tools, mining, petrochemicals and the offshore oil industry. The Inter-American Development Bank estimates that between now and 1980 Mexico will import $500m worth of agricultural equipment with demand amounting to between 4,000 and 5,000 tractors a year.

Britain already does a good trade in tractor parts for assembly in Mexico. In the first six months of this year 7.5m parts were exported to Mexico compared to 3.5m in the same period last year. Mining machinery is another good business with 2.3m parts sold in the first half of this year compared to 394,000 in the same period in 1977.

Over the years, trade has been developing between the two countries at a fairly fast rate. Mexico's trade with Britain has gone from £17.7m in 1974 to £40m last year and Britain's in the same period from £60m to last year's £79m, which was a bad year compared to the record £119m in 1976.

Britain's trade with Mexico fell dramatically last year after the devaluation of the Mexican peso in 1976 and the Government's decision to cut back imports and reduce demand. The devaluation had the desired effect on Mexico's exports which in 1976 were worth to Britain £23m—more than double the 1975 figure, while Britain's exports went from £111m in 1975 to £119m in 1976.

Later this week, on Thursday and Friday, the joint commission between the two countries on scientific and technical co-operation will also hold its annual meeting. London was the host for both meetings last year.

Mexico will present 85 bids for technical assistance at this meeting ranging from advice for its steel industry to how it can best develop its policy of decentralisation. British officials will be looking at these requests with an eye to whether they might lead to new export orders.

They are also hopeful that the British industrial exhibition in Mexico City next month. Britain will pick up business in a rapidly expanding market which the West Germans, the Japanese and the Americans have traditionally dominated.

Canada and Romania in reactor talks

BY PAUL CHEESERIGHT

CANADA hopes to sign contracts with Romania by the end of the year for the sale of between one and 16 Candu heavy water reactors. Romania requires 16 reactors over the next 15 years

Mr. Alastair Gillespie, the Canadian Minister of Energy, Mines and Resources, said in London over the weekend, en route for talks in Bucharest, to advance the possibility of sales, that the chances of winning a contract were "pretty good."

Negotiations had reached a fairly critical period, he said. Sales could be worth "some billions of dollars," depending on the nature of the package that might be negotiated.

The value of any contract will depend on the amount of equipment provided directly from Canada. This could be extensive in the early stages of any lengthy development programme, but as equipment sales tailed off engineering fees would increase.

Last July Atomic Energy of Canada signed the second of three agreements needed to complete the sale of four Candu reactors to Romania.

Looking at the nuclear energy industry as a whole, Mr. Gillespie said that the next two years will be crucial in decided the movement of uranium prices throughout the 1980s and 1990s.

SHIPPING REPORT

Tanker rates up again

BY OUR SHIPPING CORRESPONDENT

OIL TANKER rates in the Gulf continued to rise last week, further increasing the temptation for owners of the bigger crude carriers to reactivate laid-up ships and so destroy the market's momentum.

Brokers say that a number of owners have started making preparations to de-mothball their ships, although at the end of last week most were still holding out for firm charters before moving their vessels.

In the absence of large-scale re-activation owners continue to do well and the going rate for a 220,000 tonner is now well in excess of world-scale 40. Business however is strictly limited to one or two voyages only, supporting the idea that the revival has much to do with seasonal requirements and fears of a rise in the price of crude oil.

On the dry cargo side higher steel production figures in August gave some encouragement. Inquiries for ore cargoes in the Atlantic is described as strong, but coal trading has been hit by the U.S. rail strikes.

In the time charter section, Panamax bulkers in the Far East continue to attract improved rates, but grain inquiry has fallen off after difficulties with the U.S. crop.

The tanker sale and purchase market continues busy, reflecting healthier freight markets.

World Economic Indicators

INDUSTRIAL PRODUCTION
1970 = 100

					% change on year
	Aug. '78	July '78	June '78	Aug. '77	
U.S.	139.9	139.2	138.0	131.9	+6.1
	July '78	June '78	May '78	July '77	
U.K.	104.6	104.2	102.9	102.4	+2.1
Japan	136.2	135.7	135.7	125.9	+8.2
Italy	127.5	134.2	133.2	123.5	+3.2
Holland	129.0†	126.0	123.0	124.0	+4.0
W. Germany	106.9†	119.0	120.2	100.1	+6.8
	June '78	May '78	April '78	June '78	
France	126.0	127.0	131.0	127.9	−1.5
	May '78	April '78	March '78	May '77	
Belgium	119.1	123.4	119.6	121.7	−2.1

† Provisional

KEVIN DONE discusses the veto on the deal with Veba

Two options open for BP

BRITISH PETROLEUM's £210m bid to buy Gelsenberg, the West German oil company, is one of two major deals, worth a total of £430m, the company announced in June as part of a move to strengthen its less successful operations downstream from exploration and production.

The second deal, a £220m bid to buy up most of Union Carbide, the U.S. chemical company's European chemical interests, appears to be proceeding smoothly.

But in West Germany the intended deal with Gelsenberg's parent company Veba, the leading German energy company, has run into serious objections from the Cartel Office.

Ironically, it was Veba's own takeover of Gelsenberg in the early 1970s that caused another of the Cartel Office's most celebrated interventions in German industry.

The objections to that deal, which brought into majority Government ownership a conglomerate employing more than 73,000 with an annual turnover approaching £3.5bn, were overruled in 1974 by the Federal Government. BP will probably look for help from the same quarter.

The West German Government allowed the Veba-Gelsenberg merger to go ahead because it was felt to be necessary to safeguard German oil supplies.

The same could be said in the present case in which as part of the agreement between VEBA and BP, the German company is guaranteed certain oil supplies from the Middle East—a minimum of 3m tonnes annually at competitive prices—up to the year 2000.

Capacity

BP's German subsidiary has been making a loss — it had a deficit of more than DM 50m last year—chiefly because it has excess refining capacity and no way of obtaining cheap German crude oil.

The deal with Veba could help redress the balance by offering it greatly improved access to the German retail market via the takeover of important sections of the Hugo Stinnes organisation, the services, trading and transport arm of the Veba group.

In all BP would gain access through Stinnes to business with a combined turnover of about DM 3bn. It offers an additional network of about 1,000 petrol stations and a greater share of the German fuel trade.

This part of the deal would bring BP 7.5m tonnes of oil sales to the consumer, but only half as much refining capacity, thus helping to cut its existing surplus. BP's share of the oil market would be boosted from 11.5 per cent to 16 per cent.

Though in the long run the increased oil sales and reduced surplus of refining capacity would help Deutsche BP back in profit, the most immediately attractive part of the deal is the 25 per cent stake BP would gain through Gelsenberg in the profitable Ruhrgas, Germany's largest distributor of natural gas.

When the deal was announced Veba made it clear that it regretted the loss of this valuable holding from the purely financial point of view. But it felt that the gain from the overall deal made it worthwhile.

In fact it is the Ruhrgas part of the deal to which the Cartel Office appears to be objecting most strongly.

Package

It remains to be seen whether as a last resort BP would consider going ahead with the rest of the package if the objections to its indirect holding in Ruhrgas are upheld.

Certainly the package has been so far treated as a single entity and any changes to individual parts would probably mean that the whole sale would have to be renegotiated.

When the board of Deutsche BP meets today it will have to consider two possible courses of action. The first is an appeal direct to Count Otto von Lambsdorff, the Minister for Economic Affairs, and the second is to pursue the case through the courts.

If it chooses the latter it has only to refer to the cautionary tale of GKN's recent experiences in trying to acquire a further 50 per cent stake in the Sachs group, to see the scale of the problems that could lie ahead.

Battle

But the strategic implications of the BP-Veba deal, not least for the West German Government's ambitions for safeguarding the country's crude oil supplies, make it a very different case to the GKN-Sachs deal.

GKN went through a three-year battle with the Federal Cartel Office, which contended that Sachs' dominant position in the German automotive clutch market would be reinforced by GKN's involvement in the company.

GKN successfully appealed against this view to the Berlin Court of Appeal, but that verdict was superceded by a judgment from the West German Supreme Court.

BP will be hoping that an appeal directly to the Economics Ministry will circumvent much of the delay that would inevitably result from fighting the Cartel Office's decision through the courts.

HOME NEWS

MPs seek closer look at monetary system

BY RUPERT CORNWELL

SENIOR MEMBERS of the powerful Commons Expenditure Committee are considering mounting a public inquiry into the negotiations, closely involving Britain, for a new European monetary system linking the currencies of the Nine much more closely.

Last week the panel of MPs in charge of scrutiny of EEC legislation demanded that the Commons be given a chance to debate the discussions, which should reach their climax at the scheduled meeting of the European Council in December.

A similar warning was sounded over the weekend by Mr. Douglas Hurd, MP for Mid-Oxon and Tory front-bench spokesman on Europe, who said that the Government was "flying blind" on the biggest decision to be taken over the Common Market since the original agreement on UK entry terms.

Addressing the European Briefing Conference at Exeter, Mr. Hurd accused British officialdom of "arrogant complacency," and continued: "First we were told that these foreigners would never agree among themselves. Now we read that they do not really understand about money, and that we, with our greater experience, wider connections and financial success, can teach the French and Germans a thing or two."

Crucial

But the Government should realise that if it rejected the scheme France and Germany would probably go ahead without us.

These policies would crucially affect jobs, prices and prosperity in Britain — and we would not be there when the policies were made. We could find that we had less control over our own future than if we joined in agreed European policies.

Mr. John Davies, the Shadow Foreign Secretary, said that Britain "had cut a sorry figure" on the EEC monetary front by seeking at all costs to preserve autonomy without regard to the general interest.

The Chancellor, meanwhile, has again indicated his ambigious attitude to the proposals. In the latest edition of Socialist Commentary, Mr. Healey says that Britain's attitude depends on the effect of the scheme on growth and employment in the UK.

"If it helps us we are in favour, if it hinders us we are against," he says in an interview.

The real question was whether a system could get rid of erratic speculative movements in currencies while permitting them to change value when economic circumstances justified.

What people are asking for is not a zone of fixed parities but a zone of currency stability."

Fuel oil demand rises by 3%

BY JOHN LLOYD

THE UK's consumption of fuel oil rose by nearly 3 per cent in the first six months of this year, compared with the same period last year.

But production of natural gas declined by nearly 2 per cent over the same period, according to figures released yesterday by the Institute of Petroleum.

Total demand for fuel oils rose by 2.7 per cent. Although demand was down for the heavy and medium grades, the most-used heavy grade went up by 4.8 per cent.

Demand for petroleum products as a whole was up 3.1 per cent over the first six months of last year. Motor spirit—the product with the second highest demand after heavy fuel oil—went up by 6.6 per cent.

Higher returns were also recorded for kerosene, derv fuel and burning oil. Gas/diesel oil was slightly down (0.2 per cent), as were naphtha and the lube oils.

Natural gas production declined by 1.8 per cent, to a production figure of 17.5m tonnes.

Small businesses 'do badly on loans'

Financial Times Reporter

SMALL BUSINESSES do badly when it comes to raising finance from the clearing banks, according to a report published yesterday by the Association of Independent Businesses.

The report estimates that bank lending to the smaller business sector accounted for about £2.5bn by May last year, only 13 per cent of total outstanding advances made by the clearers.

It admits that the calculation is subject to a wide margin of error but claims that the results still underline the poor treatment which smaller companies receive at the hands of the banks, although they provide 40 per cent of Gross National Product and 35 per cent of private sector jobs.

The report also gives new evidence on the lending losses of the clearing banks, concluding that they lose less than 1p of every pound which they lend the smaller businesses.

Mr. Brian Kingham, chairman of the association, said yesterday: "As the risk of lending to small firms is often cited as an excuse for bank conservatism, we cast figures to suggest the likely existing loss ratio on advances and concluded that it was less than 0.8 per cent.

"Because high levels of taxation have forced the private business to rely more on institutional investment, the clearing banks must be expected to reconsider some aspects of their role.

"But the real problems affecting the health of the whole independent business sector go far beyond the comparatively small area covered by this report.

"We hope, however, it will enable the banks to become a readier ally of the nation's most important wealth creator, the independent businessman."

Small Firms and the Clearing Banks: AIB, Europe House, World Trade Centre, London E 1.

Co-op store sales rose by 11.2% last year

BY ERIC SHORT

SALES LAST year by Co-operative stores rose by 11.2 per cent to £2.54bn (excluding VAT), according to figures given by Mr. Keith Brading, chief registrar of Friendly Societies.

The amount paid out in trading stamps and dividends, amounting to £33m, was only 1.3 per cent of sales, compared with 1.49 per cent in 1976 and 1.79 per cent in 1975.

At the end of last year there were 261 Co-ops, a drop of 22 over the year. Total membership rose slightly, to 10.8m, and the total share capital amounted to £147m.

Last year the number of housing societies registered dropped by 172 to 3,684. They spent £573m on building and development—£168m more than in 1976. Rents from property advanced £17m to £79m.

Reserves increased by £225m to £842m, representing 17.9 per cent of assets compared with only 3.8 per cent in 1976.

There was an increase of 23 to 545 in the number of societies registered primarily to provide accommodation for the elderly. They spent £114m on building and development—61 per cent more than in 1976.

Report of the Chief Registrar of Friendly Societies for 1977 Part Three, Industrial and Provident Societies. SO £1.25.

Pay policy 'had little effect on private sector'

BY MICHAEL BLANDEN

INCOMES POLICY has probably played little part in holding down earnings in the private sector during the third stage of the official restraints, the London Business School says today.

Looking at the record of the stage three policy, the latest economic outlook published by the School says that it has been widely greeted as a success.

Compared, however, with the Government's aspirations of a 10 per cent increase in average national earnings "the guidelines, particularly in the private sector, have been exceeded by 50 per cent."

Far from marking continued restraint, "Stage Three allowed massive—and unsustainable—increases in real take-home pay thanks to favourable factors on inflation and generous tax cuts."

Looking ahead to the next stage of the pay policy, the school discusses the ability of companies to pay high wage increases given the development of the exchange rate and world prices.

If the exchange rate was held —and that was possible if the present monetary policy continued—the increase in earnings in 1978-79 should be restricted to about 11-12 per cent.

NatWest expands Hong Kong branch

FINANCIAL TIMES REPORTER

THE National Westminster Bank is taking a further step in the extension of its international banking activities today by setting up a full branch banking operation in Hong Kong.

The bank has recently been growing rapidly abroad, particularly with its plans for the acquisition of National Bank of North America. In Hong Kong it has already been established for some time, having set up a representative office in 1972.

In February 1974, National Westminster (Hong Kong) was established as a wholly-owned finance company subsidiary of the group to provide a wide range of financial services. These include short and medium-term loans in both Hong Kong dollars and foreign currencies, together with foreign exchange and deposit taking facilities.

By expanding the operation to full banking status, NatWest will be able to extend these services. The present general manager of the finance company, Mr. Peter Hurst, will also assume responsibilities as chief manager of the new branch.

● Midland Bank France, the new French subsidiary of Midland Bank, will officially start business today. The new bank will provide assistance and financing arrangements to French companies for their exports and international operations and will meet requirements of international companies operating in France. It will be an active participant in the French money-markets and provide related services.

● Midland and International Banks has set up an office in New York to expand further its business in the U.S.

Building societies merge

Financial Times Reporter

TWO MIDLANDS building societies — the Wolverhampton and Mercia and the Worcester-based Midshires — with assets exceeding £220m merge today.

The new society's head office will be in Wolverhampton and it will have more than 50 branches in a region extending from Merseyside to Somerset and from Wales to Nottingham and Leicester.

Mr. Philip Court, chief general manager of the new society, said yesterday: "The board believes that the merger is in the best interests of both societies and their members.

"The new society will benefit from economies of scale, an enlarged branch network and the facility for more advanced computerisation."

Many believed that the building society movement was due to take on a two-tier structure, with about 10 nationwide societies and possibly 20 regional societies operating in strictly defined areas.

Lord Marples' £388,000

ERNEST MARPLES, the Tory Transport Minister who brought in parking meters, yellow lines and traffic wardens, left £388,000 in his will published at the weekend.

Lord Marples, who died in Monte Carlo earlier this year, aged 70, left estate in England and Wales valued at £575,856 gross (£388,166 net), which goes to his widow.

HOME NEWS

Chrysler to sell Horizon in UK

FINANCIAL TIMES REPORTER

CHRYSLER WILL launch its successful French-made Horizon car in the U.K. market at a price to compete with the best-selling Ford Escort, BL's Allegro, Volkswagen's Golf, and the R-14 from Renault.

The company is aiming to sell about 23,000 Horizons in the U.K. next year giving the model about 1.8 per cent of expected total sales next year.

The Horizon has been launched in the main European markets progressively since January this year, and more than 100,000 were sold in the first six months.

Initially, only the GL and the GLS versions will go on sale in the U.K., beginning on October 12, in time for the International Motor Show at Birmingham.

The GL, with a 1,118 cc engine, will cost £3,103, while the GLS, with a 1,294 cc engine, will sell at £3,519.

Cheaper

In January, the cheaper LS versions will be imported. With a 1,118 cc engine, these will cost £2,741. Even if the Horizon achieves the expected sales, there are no plans to start production in Britain.

● Bedford Commercial Vehicles is set this month to produce its 3-millionth vehicle. The total is made up of 2m trucks—making Bedford the first British manufacturer to reach this mark—and 1m vans.

Of the 3m total, nearly 50 per cent have been exported during the 47 years of production, with overseas sales of trucks reaching about 60 per cent.

● Volvo said that it would show its updated next year's range at the Motor Show, incorporating no fewer than 800 changes in design.

Treasury figures likely to show steady reserves

BY DAVID FREUD

THE UK's official reserves remained steady last month, Treasury figures to be released tomorrow are expected to show.

With changing sentiment towards the dollar the main influence on exchange markets, there was little direct pressure on sterling, which was allowed to fluctuate between $1.94 and $1.99. Intervention was probably limited to smoothing operations.

The reserves are likely to reflect some repayment of loans, but this will be offset to some extent by money entering the country as a result of a recently organised loan from a syndicate of Japanese banks by the Electricity Council.

National income and expenditure statistics released on Friday will show what has happened to the savings ratio. This has been subject to large fluctuations recently, falling from more than 16 per cent in the last quarter of last year to 14 per cent in the first three months of this year.

The Bank of England, in its latest quarterly bulletin, said it expected the ratio had risen again sharply in the second quarter.

The figures should confirm the sharp rise in real personal disposable incomes that has been taking place. The bank estimated that these were 7.5 per cent higher in the second quarter than at the same period a year ago.

On the same day, revised figures for the gross domestic product will be released, which are likely to confirm the provisional estimate showing a rise in output in the second quarter of 1½ to 2 per cent.

The first signs of whether this sharp surge in output is likely to encourage new investment will emerge today with the release of the Department of Industry's survey of investment intentions in manufacturing, distributive and service industry.

The previous survey, released in June, projected an increase of between 10 and 13 per cent in the volume of manufacturing investment between last year and this year.

£45,000 study on improving old factories

By Arthur Smith, Midlands Correspondent

BIRMINGHAM has been selected by the Department of the Environment for a case study into ways of stimulating the improvement of industrial premises within inner city areas.

An estimated 40 per cent of the 6,000 buildings comprising Birmingham's industrial centre were built before 1914. The effect that old buildings have upon manufacturing efficiency will be one of the issues to be considered.

The study has been commissioned from Aston University's joint unit for research on the urban environment. The work is expected to take nearly two years at a cost of £45,000.

Unions will appoint safety 'watchdogs'

By Paul Taylor

IMPORTANT SAFETY regulations which allow trade unions to appoint "safety watchdogs" in places of work came into force today.

The key feature of the regulations, passed by Parliament last year, is that they shift the control of dangers at work back into the workplace and leave the existing 900 factory inspectors in England, Scotland and Wales to deal with unresolved safety problems "as a last resort."

In any workplace, no matter how many people are employed, a recognised trade union will be empowered to appoint one or more safety representatives.

Two or more such representatives can then ask the management to set up a joint management/union committee to oversee the workings of the Health and Safety at Work Act, 1974.

It is expected that about 150,000 union safety officers will be appointed. Their training is being undertaken by the TUC with the representatives entitled to paid leave for ten-day or five-day courses.

The Health and Safety Executive dismisses suggestions that the regulations will prove an unwelcome burden on managements.

Many large companies, including Ford, General Motors, and Rank Xerox, have already concluded national agreements on safety representatives and committees.

LABOUR NEWS

AUEW leader attacks striking toolmakers

BY NICK GARNETT AND ARTHUR SMITH

A VIRULENT public attack on the striking toolmakers at SU Fuel Systems and on the unofficial BL Car's toolroom committee was made yesterday by Mr. John Boyd, general secretary of the Amalgamated Union of Engineering Workers.

"These men must be penalised," he said, in an editorial in this month's union journal which is likely to further strain the relations between the union executive and unofficial toolroom leaders.

Mr. Boyd said the 32 toolmakers at BL's SU plant were demonstrating "rebellious indiscipline."

The union's democracy, the root of its strength had been put on trial by people who "refuse to obey" and these men had to be penalised.

This referred not only to the striking toolmakers, but also "the small nucleus of self-appointed bureaucrats who are publicly threatening, via all the self-sought news media, to call other members out on strike if the executive council operate, as it must, in conformity with our democratic structure and constitution."

Equally important, the TUC must insist that no other affiliated union takes into membership any of our members "who deserve to be expelled," Mr. Boyd said.

The threat of expelling from the union the SU men who are striking in support of a pay parity claim brought BL to the brink of a toolroom strike last month.

Mr. Roy Fraser, leader of BL Cars' unofficial toolmakers committee, said yesterday that statements such as Mr. Boyd's did nothing to help the union's difficulties.

The committee's decisions were arrived at democratically and not through a bureaucracy. The attitude of Mr. Boyd and the executive could result in BL employing non-union workers.

The unofficial committee will be seeking support on Wednesday from other craft workers for a joint programme of industrial action for improved differentials.

Mr. Fraser said that he would be looking for "a positive response" from the BL Cars' unofficial craft committee, which claims to represent 14,000 skilled workers.

The outcome of Wednesday's meeting will be considered by the 60-strong committee of toolmakers next Saturday. They will already have before them a recommendation from Mr. Fraser for industrial action in the event of failure by the engineering union's national executive to support the SU toolmakers, now in the eighth week of their unofficial strike.

Mr. Fraser, who pulled out 3,000 toolmakers last year in a campaign for improved differentials, is unlikely to be pushed into precipitate action.

The SU leaders are known to be pressing for an all-out strike, but Mr. Fraser may prefer to wait for a more opportune moment.

Dispute delays warship

A DEMARCATION dispute at Portsmouth docks is delaying the 23,300-ton commando carrier Bulwark from being brought out of retirement.

Shipwrights at the drydock have refused to shore her up with wooden supports because they feel it is a job for labourers.

So far, 170 shipwrights have been sent home without pay for refusing to work.

Some refitting work is going on inside the ship while she is afloat, but the programme is rapidly falling behind schedule.

Big rise sought for farm workers

BY OUR LABOUR STAFF

AGRICULTURAL WORKERS needed a very substantial improvement in wages to lift them clear of the poverty trap, Mr. Jack Boddy, general secretary of the National Union of Agricultural and Allied Workers, told the union's annual conference at the weekend.

Many agricultural workers who claim Government benefits achieved nothing from modest increases in wages because this was offset by losing some of those benefits, Mr. Boddy said.

The union has submitted to the Agricultural Wages Board a huge claim intended to raise minimum rates from the £43 a week to £80 and to secure a reduction in hours.

There was every justification for such a claim when it was noted that the average earnings of agricultural workers is about a quarter below average industrial workers' earnings, Mr. Boddy told the conference.

Agriculture was no longer the labour intensive industry it used to be and the labour force had dropped 120,000 in the past decade.

"Despite increased output and a falling labour force the workers have not benefited financially," Mr. Boddy said.

APPOINTMENTS

Changes at Taylor Woodrow

A number of new appointments to the Board of TAYLOR WOODROW has been made to ensure continuity of the Group's progress and philosophy following the retirement as Group managing director next June of the founder, Sir Frank Taylor. Sir Frank, now 73, and who started to build up the company in 1921, will then become the first president of Taylor Woodrow while continuing to serve as an executive director. Mr. R. G. Puttick is appointed chief executive of the company in addition to his appointment of chairman of the board, with overall power and responsibility for administering the affairs of the company. Mr. R. E. Aldred, Mr. N. C. Baker and Mr. F. R. Gibb are appointed deputy managing directors additional to Mr. B. S. L. Trafford who already holds such an appointment. These four directors are to be joint deputy managing directors and will become joint managing directors when Sir Frank relinquishes his post. In addition to his appointment of joint deputy managing director Mr. N. C. Baker was appointed a joint deputy chairman of the company.

★

Mr. T. F. Honess becomes chairman of BUTTERFIELD-HARVEY following the retirement of Mr. S. A. Roberts. Formerly chairman of GKN

Mr. T. F. Honess, chairman of Butterfield-Harvey.

SANKEY, Mr. Honess is chairman of the Rubber and Plastics Processing Industry Training Board. His office will be at the Butterfield-Harvey Group headquarters at Villiers House, Strand, London.

★

Executive directors appointed by S. G. WARBURG AND CO. are: Mr. R. O. Bernays, Mr. D. A. Higgs, Mr. P. R. Horrobin, Mr. S. D. F. Kaempfer, Mr. D. I. Lundell, Mr. R. D. Lutyens, Mr. G. H. Rees-Williams, Mr. P. von Simson, Mr. N. C. von Speyr.

★

Mr. W. H. Jones has been appointed chief executive of LOW AND BONAR, UK packaging division. Formerly managing director of Low and Bonar Packaging, he is currently president of the Film Converters Association. Mr. David Wright has been appointed managing director of Low and Bonar Packaging and of BIBBY AND BARON (LEOMINSTER), two of the division's companies.

★

BUSINESS MAGAZINES INTERNATIONAL has appointed Mr. David Abramson as chairman, and Mr. Ray Watson, managing director.

★

Mr. J. F. T. Galvanoni has been appointed to the Board of ROBERT FLEMING AND CO. from October 1. Mr. J. R. K. Emly, Mr. D. S. P. McEuen and Mr. R. H. Streeter have been appointed to the Board of ROBERT FLEMING INVESTMENT MANAGEMENT also from October 1. Mr. Harry Cutler has joined Robert Fleming and Co. as chief foreign exchange dealer.

★

MANCHESTER EXCHANGE AND INVESTMENT BANK has appointed Mr. Michael Hardiman as a regional director.

★

Mr. Peter Haughton has been made managing director of KEITH PROWSE. He and Mr. Neil Falkner have been appointed directors of the holding company, The Keith Prowse Organisation (Reservations). Mr. Dion Rheeder has been appointed a director of Keith Prowse Travel.

CONTRACTS

Granada orders £1m cameras from Marconi

Granada Television, Manchester, has placed an order, valued at over £1m with Marconi Communication Systems, a GEC-Marconi Electronics company, for 27 cameras from the Mark IX family of colour television cameras introduced in April. Eighteen studio and nine portable cameras will replace all those at present in the Granada TV Centre in Manchester and those used for outside broadcasting.

Tyne Tees Television has also ordered four Mark IX cameras for delivery in November by Trident Television for use in studios at Newcastle-upon-Tyne.

With Southern Television placing an order for a portable camera, five independent television companies have now bought from the Mark IX family of colour television cameras.

★

Swedish tour operator, Vingresor, has awarded a contract for the provision and maintenance of a holiday booking and flight reservation system to Cable and Wireless UK SERVICES (UKS). Vingresor, a wholly-owned subsidiary of Scandinavian Airlines System (SAS), will be entering the British market as a "direct sell" holiday tour operator this autumn. The computer system, to be provided by UKS, is designated PHOBUS (Package holiday booking system), and is worth over £120,000. It will be installed in the Vingresor booking shop in London.

Businessman's Diary

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Frozen Foods and Freezer Festival (cl. Oct. 4)	West Centre Hotel, SW6
Current	Southern Floor Coverings Exhibition (cl. Oct. 5)	Metropole, Brighton
Current	Business Journals Exhibition (cl. Oct. 7)	Cunard Intnl. Hotel, W6
Current	Int. Production Engineering & Productivity Exbn. (cl. Oct. 7)	Olympia
Current	Subcontracting Industries Exhibition (cl. Oct. 7)	Olympia
Oct. 3—4	Electronic Instruments Exhibition	Eurocrest Hotel, Runcorn
Oct. 3—6	London Business Show	Cunard Intnl. Hotel, W6
Oct. 5—10	Salon International	Wembley Conference Centre
Oct. 7—9	National Shoe Repair Exhibition	Harrogate
Oct. 14—28	International Handicrafts and DIY Exhibition	Earls Court
Oct. 20—29	SMMT Motor Show	National Ex. Centre, Birm'hm.
Oct. 24—26	Environmental Health Exhibition	Bournemouth
Oct. 24—27	European Offshore Petroleum Conference and Exhibition	Earls Court
Oct. 24—27	London Fashion Exhibition	Earls Court
Oct. 24—28	Business Equipment Trade Exhibition	Cunard Intnl. Hotel, W6
Oct. 25—27	Management Services and Equipment Exhibition	Exhibition Centre, Harrogate

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Caravan Exhibition (cl. Oct. 8)	Paris
Current	International Trade Fair (cl. Oct. 15)	Baghdad
Current	MIDEST 78 (Industrial Exhibition) (cl. Oct. 6)	Toulouse
Current	Exhbn. of Electronics, Telecommunications, Data Processing and Nuclear Technique (cl. Oct. 6)	Ljubljana
Oct. 2—8	International Clothing Fair "Fashion in the World"	Beograd
Oct. 3—8	Intnl. Tobacco and Machinery and Agro-Industrial Fairs	Skopje
Oct. 5—14	International Trade Fair	Bucharest
Oct. 5—15	Motor Show	Paris
Oct. 6—10	Summer Fashion Show	Nice
Oct. 7—10	European Furnishing Market	Lyon
Oct. 10—13	Fourth European Electro-Optics Conf. and Exbn.	Utrecht
Oct. 12—23	USSR Scientific Research Equipment Exbn.	Moscow
Oct. 12—13	Annual Library Microform Conference and Exbn.	Washington Hilton
Oct. 15—22	International Wine Fair	Verona
Oct. 19—22	Solar Energy Exhibition and Conference	Verona
Oct. 26—29	World of Investment '78	Los Angeles
Oct. 28—Nov. 12	SNOW 78—Sports, Winter and Recreation Show	Basle

BUSINESS AND MANAGEMENT CONFERENCES

Oct. 4—5	Anthony Skinner Management: Fraud—Detection and Prevention	Piccadilly Hotel, London
Oct. 5	Institute of Chartered Accountants: Deferred Taxation	Royal Lancaster Hotel
Oct. 8—11	SRI International: Seminar for executives—Decision and Risk Analysis in Financial Management	Lythe Hill Hotel, Haslemere
Oct. 8—13	Bradford University: Group and Personal Effectiveness—Skill with People	Heaton Mount Management Centre, Bradford
Oct. 9	Brit. Council of Productivity Assocns.: Contracts of Employment	Waldorf Hotel, London
Oct. 11	Abacus Conferences: Using Industrial Design Copyright to the best advantage	Kensington Palace Hotel, London
Oct. 12—13	Institute of Marketing: Effective Pricing	Royal Horseguards Hotel, SW1
Oct. 12—Dec. 14	City University and FT: The FT-City Course	City Univ. Business School
Oct. 17	Institute of Marketing: How to Manage Salesmen for More Profitable Selling	Royal Garden Hotel, Kensington
Oct. 17	AGB Conference Services: The Threat of Crime to Industry and Commerce. Sir Robert Mark	Café Royal, W1
Oct. 17	ASM: Legal Implications of Engineering Contracts	Café Royal, W1
Oct. 17	London Chamber of Commerce: What the U.S. Buyer expects	69, Cannon St., EC4
Oct. 17	ESC: International Leasing	Carlton Tower Hotel, SW1
Oct. 18	Henley Centre for Forecasting: Planning Consumer Markets	Carlton Tower Hotel, SW1
Oct. 18	Industrial Marketing Research Assocn.: Forecasting Demand for New Products	Kensington Palace Hotel, W8
Oct. 18	SRI International: Computer Security	Hyatt Regency Caspian Htl., Chalus, Iran
Oct. 19	Institute of Purchasing and Supply: Forest Products for the Furniture Industry	Royal Lancaster Hotel, W2
Oct. 19—20	ASM: Establishing Good Communication Systems Within the Company	St. Ermins Hotel, SW1
Oct. 19—20	Management Centre Europe: EEC Legislation on Bankruptcy and Insolvency Procedures	Brussels

COMPANY NOTICES

CENTENARY FUND S.A.
société anonyme
Registered Office: Luxembourg, 14, rue Aldringen
Registre de Commerce: Luxembourg. Section B No. 9.198

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Shareholders of the above-named company will be held at 14, rue Aldringen, Luxembourg at 3.00 p.m. on October 10th, 1978 with the following agenda

To confirm the increase of the authorised capital of the Company up to the amount of U.S.$7,500,000 to be divided into 5,000,000 shares of a par value of U.S.$1.50 each and to authorise and instruct the Board of Directors to issue such shares within the limits of the authorised capital and to decide the terms and conditions of the subscription thereof subject to the provisions of the articles of incorporation.

Shareholders are advised that the quorum required at the Extraordinary General Meeting in order for valid decisions to be taken is the presence in person or by proxy of the holders of at least 50 per cent. of the shares of the Company issued and outstanding. In the event that a quorum is not present (or if the Board of Directors so decides for other reasons) a second meeting at which there will be no quorum requirement may be convened by further notice. In such event, voting on all items of the above agenda will be adjourned to the said second meeting.

In accordance with Luxembourg Law, Resolutions at the Extraordinary General Meeting and at any adjournment thereof will require the consent of holders of ⅔rds of the total number of shares represented at the meeting.

Shareholders may vote at the meeting by proxy, by completing a form of proxy. In order to be valid, all forms of proxy must reach the Company at 14, rue Aldringen, Luxembourg not later than 3.00 p.m. on October 9th, 1978.

In order to take part at the above meeting of October 10th, 1978, the owners of bearer shares will have to deposit their shares at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with the following banks:
—Banque Générale du Luxembourg, S.A.
14, rue Aldringen, Luxembourg;
—Williams & Glyn's Bank Limited
67, Lombard Street, London, E.C.3.

The Board of Directors.

THORN INTERNATIONAL FINANCE B.V.
(Incorporated with limited liability in the Netherlands)

U.S. $25,000,000
7 per cent. Convertible Guaranteed Bonds 1988

Holders of the above Bonds are reminded that on or after 1st November 1978 they are entitled (subject to and in accordance with the terms and conditions endorsed on the Bonds) to convert their Bonds into fully paid registered Ordinary Shares of 25p each of Thorn Electrical Industries Limited. As at the date of this Notice, the price at which Ordinary Shares of Thorn Electrical Industries Limited will be issued upon conversion is 367 pence per Ordinary Share, and for the purpose of conversion the Bonds will be taken at their principal amount translated into sterling at a fixed rate of $1.88525 = £1. The conversion price is subject to adjustment in accordance with Condition 5(2) endorsed on the Bonds; at the date of this Notice, no circumstances giving rise to such adjustment have occurred.

MUNICIPAL TELEPHONE COMPANY OF FUNEN
9% 1976/1984 UA 10,000,000

Pursuant to the terms and conditions of the loan, notice is hereby given to Bondholders that, during the twelve-month period ending September 14, 1978, no Bonds have been purchased.
Outstanding amount UA 9,800,000.
FINIMTRUST S.A.
The Trustee.

Luxembourg
September 29, 1978.

LEGAL NOTICES

No. 002939 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of GRAYRUSH INVESTMENT HOLDINGS LIMITED and in the Matter of The Companies Act 1948.

NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 18th day of September 1978 presented to the said Court by MICHAEL TESTLER AND COMPANY LIMITED whose registered office is situate at 22 Quebec Street, London, W.1, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 30th day of October 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

HUGHES WATTON & CO.,
Regent House,
235/241 Regent Street,
London W1R 8JU.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 27th day of October 1978.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Amalgamated Tin Mines, Connaught Rooms, Great Queen St., W.C., 12.00.
City of London Brewery Inv. Trust, Winchester House, 77, London Wall, E.C., 2.30.
James (John), Grand Hotel, Broad St., Bristol, 12.00.
Press Tools, Sadler Road, Brownhills, W. Midlands, 3

BOARD MEETINGS—
Finals:
English Assocn. of American Bond and Shareholders
Macallan-Glenlivet
Interims:
Beatson Clark
City of London Brewery and Inv. Tst.
Currys
Haden Carrier
Lane (Percy)
Marshall Cavendish
Smurfit (Jefferson)

DIVIDEND & INTEREST PAYMENTS—
AAH Ord. 5pcPf. 2.1pc
APV Ln. 5½pc
Abbey 1.3558p
Abercom Inv. 9 cts.
Aerlinte Eireann Teo Db. 5¼pc
Allied Retailers 5.812p
Allied Textile 2.82p
Arbuthnot Latham Ln. 2¼ 4pc
Armitage Shanks 2.32p
Associated Biscuit Man. Db. 3pc
Associated TV A 8.834p
Aurora 5pcPf. 2.5pc
BAT Inds. 5p
Barclays Bank 6.05p
Baynes (Charles) 0.3p
Beaumont Props 1.1725p
Benford Concrete 0.68951p
Birmingham Mint 6pcPf. 2.1pc
Blundel-Permoglaze 1.14p
Boardman (K.O.) 5½pcPf. 1.925pc
Bradford 3½pc 1972-82 1¾pc
Brady Ind Ord. 1.75p
Brathwaite Eng. 7½pcPf. 2.625pc
[illegible]

WEDNESDAY, OCTOBER 4

COMPANY MEETINGS—
Acrow, 8, Southwark, W. 10
Boardman (K. O.) Intnl., 7, Charlotte Street, Manchester, 12
Victor Prods., Norham Road, West Chirton

BOARD MEETINGS—
Finals:
Capseals
Cope Allman Intnl.
Interims:
Beauford
Finlay Packaging
Higgs and Hill
Hiltons Footwear
Holt Lloyd Intnl.
Rockware
Sanderson Kayser

DIVIDEND & INTEREST PAYMENTS—
Aeronautical and General Instruments 2.55319
Aquis Securities 0.225p
Aylesbury Vale 6⅝pcBds. Red. 4/10/78 £3.5505
Birmingham 6⅝pcBds. Red. 4/10/78 £3.5505
Bournemouth 6⅝pcBds. Red. 4/10/78 £3.5505
Bremar Trust 1p
Brent 6⅝pcBds. Red. 4/10/78 £3.5505
British American and Gen. Trust Ord. 0.725p
British Building and Engineering Appliances 1.5812p
Burton Brewery 7pcPf. 2.45 pc
Chesterfield 6⅝pcBds. Red. 4/10/78 £3.5505
Comben 0.5p
Cooper Inds. 0.485p
Crawley 6⅝pcBds. Red. 4/10/78 £3.5505
Gloucestershire 6⅝pcBds. Red. 4/10/78 £3.5505
Gold Fields of South Africa 50.21296p
Hillingdon 6⅝pcBds. Red. 4/10/78 £3.5505
Invergordon Distillers 0.7p
Llanelli 6⅝pcBds. Red. 4/10/78 £3.5505
London and Lomond Inv. Trust Ord. 1p
Medina 6⅝pcBds. Red. 4/10/78 £3.5505
[illegible]

SUNDAY, OCTOBER 8

DIVIDEND & INTEREST PAYMENT—
Avana 0.55079p

Grant for list of plants

The Nature Conservancy Council has made a further grant of £57,000 to experts at four universities who are preparing a "dictionary" of plant communities and habitats to help planners and conservationists.

The research project is the first of its type for nearly 40 years.

Based at Lancaster University, the project also involves the universities of Cambridge, Exeter and Manchester. It is to be completed in 1982.

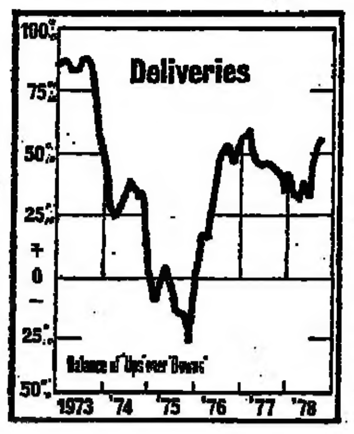
FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

A high level of confidence

BUSINESS confidence remains at a moderately high level, based upon the growing pace of recovery. This was particularly marked last month in the electrical engineering sector which is now experiencing the benefit of the upturn in consumer demand.

In the stores and consumer services sector, where a majority of firms said they were more optimistic, the increase in consumer spending had in some cases produced better figures than expected.



Attitudes in the cars and consumer durables sector, third sector covered by last month's survey, were affected by the situation in the motor industry and concern over the effect of industrial disputes arising out of the Government's pay policy.

The postponement of the general election, which was announced just after the survey had got under way, does not seem to have had a significant impact either way on business confidence.

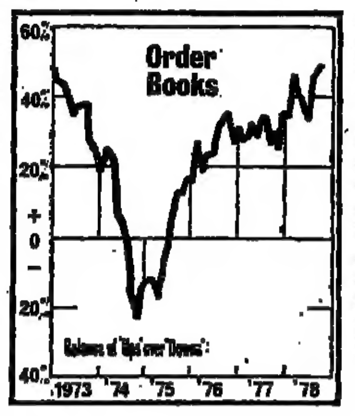
Export markets are said to be very competitive. But all three sectors had become more optimistic about sales prospects. No firm interviewed last month expected export sales to decline over the next 12 months.

ORDERS AND OUTPUT

Recovery gathers pace

THE RECOVERY in industrial activity continues to gather strength. More firms reported increased order trends last month, confirming the sharp increase recorded by the previous survey, and there was a further increase in the number reporting a higher rate of deliveries.

In all, just over half of the companies contacted in the last four months have said orders are up and almost two in three have reported increased deliveries.



Looking further ahead, there are other encouraging signs. There was another marked increase last month in the seasonally adjusted index for bought-in supplies over the coming four months and a further edging up of production/turnover forecasts for the next 12 months.

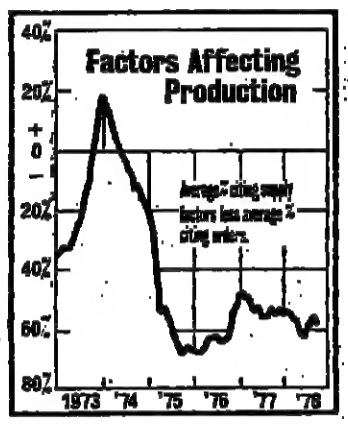
The most significant factor was the more favourable experience of the electrical engineering companies interviewed last month. Conditions in some of the electrical engineers' customer industries remain at a low ebb—for example, in steel and shipbuilding—but the upturn in consumer demand has worked its way through to the lighter end of the industry. Most firms reported higher orders, and this is now being reflected in current deliveries and production planning.

CAPACITY AND STOCKS

Closer to target

THE IMPROVED rate of activity is reflected in the further slight increase in the number of firms working at above planned rates of capacity utilisation and the steady decline in those working below planned levels.

The forecasts for stocks over the next 12 months show a similar picture. All three indicators—for raw materials, finished goods, and work in progress—again rose last month.



Another but more worrying tell-tale sign is the prevalence of complaints of shortages of skilled manpower. Most electrical engineering companies said recruitment difficulties were impeding their output plans, and so did a majority of firms in the cars and consumer durables sector.

Supplies of certain components and products were another fairly widespread problem in this sector. Among the items mentioned were pressings, castings, packing materials, and certain types of new products.

But demand factors—including export orders—are still the dominant restraint upon production rates, as the chart indicates.

CAPACITY WORKING

	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1978		
Above target capacity	18	15	14	10	20	—	37
Planned output	55	57	56	53	50	66	63
Below target capacity	27	27	29	36	30	34	—
No answer	—	1	1	1	—	—	—

INVESTMENT AND LABOUR

Productivity is the key

ON PRESENT expectations, however, improved demand is unlikely to result in any reduction in the number of unemployed. The indicator for manpower requirements remains more or less in balance, with most firms expecting to make do with about the same labour force in 12 months' time as now.

Further analysis shows that this outlook is dominated less by demand considerations than by a widespread desire to raise productivity and by related labour supply factors. Half the firms contacted in the last four months have mentioned productivity plans as a factor governing their manpower forecasts.

Other factors fairly high up on the list are high wage costs in relation to productivity and difficulty in recruiting staff with suitable skills.

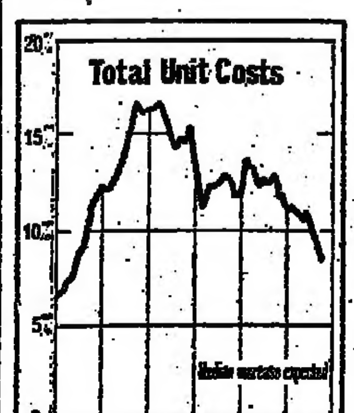
The continuing good outlook for industrial investment points in a similar direction. About three in five firms expect to spend more in real terms over the next 12 months.

This is accompanied by a further increase in the number of firms expecting to require more outside finance, including bank borrowing, although current liquidity levels are generally regarded as satisfactory.

COSTS AND PROFIT MARGINS

Wide respect for pay policy

ONE INTERESTING point to emerge from the latest survey is the number of firms expecting to adhere to the Government's pay guidelines. Three out of five said they definitely would, including those contemplating productivity deals.



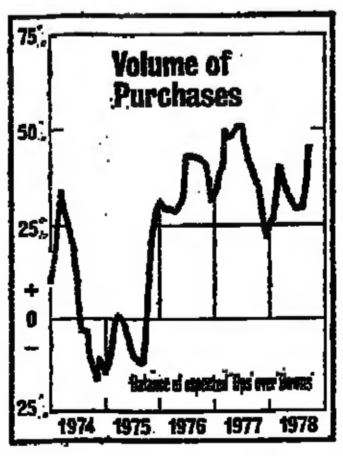
Of the remainder who said their attitude would depend upon other factors—market forces, the trend in other settlements, or the strength of Government sanctions—most were stores and consumer service organisations less likely to be affected by Government sanctions and less likely to be concerned by an element of flexibility opening the door to large wage increases.

Meanwhile, inflation expectations continue to improve. The median forecast increase for wage costs has tended to level out at around 11-12 per cent, but those for total unit costs and output prices have now fallen to around 9 per cent.

Hopes for improved profitability were checked last month with the stores and consumer services sector showing a more pessimistic prospect. But the all-industry indicator is still, on balance, favourable. The earnings outlook in electrical engineering was especially encouraging.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives. Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries' Index, which accounts for about 80 per cent of all public companies.

The all-industry figures are four-monthly moving totals



covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month). *Complete tables can be purchased from Taylor Nelson and Associates.*

GENERAL BUSINESS SITUATION

Are you more or less optimistic about your company's prospects than you were four months ago?	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1978		
More optimistic	47	45	44	37	48	17	75
Neutral	39	44	43	43	45	49	12
Less optimistic	11	8	10	20	7	34	13
No answer	3	3	3	—	—	—	—

EXPORT PROSPECTS (Weighted by exports)

Over the next 12 months exports will be:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1978		
Higher	79	73	72	76	84	76	96
Same	15	14	14	14	16	24	4
Lower	6	13	14	9	—	—	—
Don't know	—	—	—	1	—	—	—

NEW ORDERS

The trend of new orders in the last 4 months is:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1978		
Up	52	49	41	44	84	41	73
Same	27	30	28	27	9	34	14
Down	8	9	13	13	7	25	—
No answer	13	12	18	16	—	—	13

PRODUCTION/SALES TURNOVER

Those expecting production/sales turnover in the next 12 months to:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1978		
Rise over 20%	5	2	1	3	41	—	—
Rise 15-19%	5	5	5	1	—	—	3
Rise 10-14%	17	13	16	12	20	75	16
Rise 5-9%	24	32	29	26	7	—	33
About the same	40	39	43	49	32	25	27
Fall 5-9%	—	—	1	3	—	—	—
No comment	9	9	5	6	—	—	20

STOCKS

	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1978		
Raw materials and components over the next 12 months will:							
Increase	46	40	37	34	22	67	80
Stay about the same	37	40	43	45	73	24	—
Decrease	9	10	13	17	5	—	20
No comments	8	10	7	4	—	8	—
Manufactured goods over the next 12 months will:							
Increase	42	40	36	31	20	58	78
Stay about the same	39	38	40	40	48	8	7
Decrease	3	4	2	10	10	—	—
No comments	16	18	22	19	22	34	15

FACTORS CURRENTLY AFFECTING PRODUCTION

	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1978		
Home orders	82	82	83	86	75	42	80
Export orders	61	59	65	65	78	58	54
Executive staff	16	20	28	24	5	17	20
Skilled factory staff	43	40	44	42	93	58	20
Manual Labour	6	10	12	14	1	—	7
Components	6	5	5	2	—	58	—
Raw materials	8	7	7	3	—	—	33
Production capacity (plant)	10	10	11	11	—	—	17
Labour disputes	12	12	12	4	—	17	—
Others	24	26	22	24	45	16	13
No answer/no factor	1	1	1	1	—	—	—

LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1978		
Increase	21	19	16	24	23	70	35
Stay about the same	59	63	67	56	7	30	43
Decrease	20	18	17	20	70	—	22

CAPITAL INVESTMENT (Weighted by capital expenditure)

Those expecting capital expenditure over the next 12 months to:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1978		
Increase in volume	60	63	62	62	63	34	38
Increase in value but not in volume	11	9	9	8	—	11	21
Stay about the same	14	12	10	9	—	28	22
Decrease	12	13	16	18	10	27	14
No comment	3	3	3	3	27	—	5

COSTS

	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1978		
Wages rise by:							
5.9%	21	20	15	19	16	42	19
10-14%	66	69	72	64	64	25	67
15-19%	3	2	5	9	20	—	—
20-24%	—	—	—	2	—	—	—
No answer	10	9	8	6	—	33	14
Unit cost rise by:							
0-4%	8	8	8	5	—	—	—
5.9%	38	40	40	41	73	—	1
10-14%	31	33	39	43	7	49	68
15-19%	1	1	2	2	—	—	—
20-24%	—	1	—	4	—	—	—
Decrease	2	—	—	—	20	—	—
No answer	20	17	11	5	—	51	30

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	June-Sept. %	May-Aug. %	Apr.-July %	Mar.-June %	Elect. Eng. %	Consumer Durables %	Stores %
	4 monthly moving total				September 1978		
Improve	37	45	39	37	41	49	5
Remain the same	31	27	27	29	50	34	32
Contract	26	21	27	28	9	17	63
No comment	6	7	7	6	—	—	—

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PHOTOGRAPHY

Focuses camera by sound

PRESENTED TO European professionals at the recent Photokina show in Germany, an ultrasonic automatic focusing system on the SX-70 Land camera is believed to be unique.

The echo-ranging unit focuses the camera automatically in fractions of a second and determines focus distance by measuring the time it takes for sound to travel from the camera to the subject and back again.

This automatic focusing system is much faster and more accurate than conventional manual focus. In any light level, including total darkness, the camera responds in milliseconds, guaranteeing sharp focus instantly and automatically.

Ultrasonic ranging is controlled by five primary elements—a transducer, a crystal oscillator clock, a detector, an accumulator and the focus motor. These functions, as well as all the other camera functions, are powered by the battery already in the SX-70 film pack.

The heart of this new ranging system is an electrostatic transducer which acts as both a transmitter and a receiver for the ultrasonic waves emitted and received.

This consists of a metallic back plate over which a thin gold-coated plastic foil is stretched. The stretched foil is the moving diaphragm which transforms electrical energy into sound waves and sound waves back into electrical energy. It emits an inaudible sound or "chirp" only a millisecond long. Each chirp consists of four ultrasonic frequencies of 60kHz, 57kHz, 53kHz and 50kHz.

The new SX-70 which takes colour shots at one every 1½ seconds has a preview stage built into the electronic trigger allowing the photographer to see, if he desires, his composed image in clear focus through the single lens reflex viewer before actually taking the picture. When the electronic trigger is fully depressed, the transducer as "transmitter" simultaneously sends the four frequency chirp while an electronic clock begins counting.

The clock, a high-frequency crystal oscillator, is the key to the accuracy of the ultrasonic echo ranging. It times the distance measurement of the "chirp."

After the pulses have been sent, the transducer readies itself to become the receiver for the returning echo. Simultaneously, the detector waits to signal the counter to stop upon receipt of the first sound.

Once the stop signal has been received, the travel time of the chirp has been determined. If the subject is close to the lens, the travel time is short and the accumulator will only fill a few positions. If the subject is distant, the accumulator will fill more positions. When the stop signal is received by the accumulator, the focus motor starts to drive the lens from its park position, near infinity.

The lens is coupled to a monitoring system—a disc with slots geared to the lens—sending counts corresponding to the 128 positions of the accumulator. The lens rotation fills the balance of the empty positions in the accumulator. When the accumulator has all its positions filled, a solenoid is activated to stop the lens at its precise focus.

All these operations to focus the lens take place in milliseconds. The normal camera cycle then continues and upon complete exposure and ejection of the film the focus motor returns the lens to its park position.

For full manual focus operation, a switch disengages the automatic focusing capability, allowing the photographer to focus the camera manually.

More from Polaroid (UK), Ashley Road, St. Albans, Herts AL1 5PR; St. Albans 59191.

Cameras to fill the gap

TWO REPROMASTER cameras have been added to the three already in the Copyrapid range of equipment for print preparation manufactured by Agfa-Gevaert, 27, Great West Road, Brentford, Middlesex (01-560 2131).

Offered as a launching pad for the professional taking his first step towards expertise in the field, particularly someone who does not produce a large volume of reprographic work, but is desirous of top quality, is the 500. This takes up a floor area of about 80 x 140 cm and has a fixed working height of 110 cm. Its dimensions, says the company, are designed to give the best in line and screen work even in the smallest darkroom, and prove razor-sharp, accurate reproductions.

Intending to fill out the top end of the range is the 1,000 process camera whose copyboard can take flat artwork up to 48 cm by 66 cm, or transparent materials up to 40 cm by 50 cm with a back light.

An additional feature is the open-sided copyboard area, allowing reproduction from originals much bigger than the copyboard itself. The latter is also spring-loaded to ensure that the thickest artwork is automatically brought into sharp focus.

The electronics here provide automatic exposure control which automatically compensates for ambient light and voltage variations giving the exposure time on a three-digit display. Sizing and focusing are assisted by mechanical linear indicator scales illuminated to show which of the two lenses (150 mm or 210 mm) is in use at the time.

Changing the lens after setting up an exposure automatically sets the electronics working out the new exposure time required, and the new figure is shown immediately on the digital display.

The reprographic products division of the company manufactures and distributes microfilm and COM systems, plain paper and office copiers, process cameras, platemaking equipment and materials graphic arts film and allied processing equipment, and identity card systems. The last is known as AGISS and is already in use for driving licences by the Norwegian Government.

● RESEARCH

Highly accurate analysis

GAS chromatography, one of the chemist's most powerful techniques for separating mixtures of organic compounds, will become even more useful as a result of work at Argonne National Laboratory, recognised by a 1978 IR-100 Award.

The Argonne invention, called the GC (gas chromatograph) Cryocollector, is a new means of gathering samples from a gas chromatograph and preserving them for analysis by means of infared spectroscopy.

In most research today, infared spectroscopy is not used to analyse compounds separated by gas chromatography because the samples are too meagre for infared spectroscopy to be effective. The GC Cryocollector, however, promises to change this.

A gas chromatograph is essentially a long column packed with an absorbing material. A mixture of organic compounds is vaporised and forced through the column in a stream of inert gas. Because different compounds cling to the adsorbent with different degrees of tenacity, the constituent compounds come out of the column one at a time.

The Cryocollector goes to work as the compounds come out of the column, freezing each sample in a crystal of argon, an inert element, on the surface of a mirror at about 10 degrees Kelvin. Each molecule of the sample is held in a shroud of frozen argon. Because it retains its original shape and does not interact with its fellow molecules, it produces an extremely well defined spectrum.

It also has other advantages over conventional methods for preserving gas chromatograph samples for infrared spectroscopy. These can collect only one sample at a time and can preserve it only a few seconds or minutes, but the new unit can gather up to 32 samples and preserve them for hours or days.

Argonne Laboratory, Illinois 60439, U.S.

● SERVICES

Deals with dirty discs

THE COST of replacing lost data from a contaminated disc or even repairing damaged equipment (caused, for example by head-crashes), can be considerable. A disc-pack cleaning service now available in the UK is said to offer a more economic alternative.

The cleaning cost is between £3.00 and £5.2[illegible] per pack, and the service, which includes a thorourh inspection of the pack in addition to cleaning, is carried out on-site by trained engineers using portable Randomex equipment.

It is not necessary to dismantle the disc-pack before cleaning with the solvent which is harmless to disc surfaces, and the entire process, including inspection, should last only about 15 minutes says J. M. Magnetic Products, Victoria Lane, High Street, Barnet, Herts EN5 5UN (01-440 8426).

● OFFICE EQUIPMENT

Texas slims its calculators

TEXAS Instruments 1700 Series slimline calculators includes three models, from a five-function calculator in a "pen-clip" pouch to a six-function calculator/clock with stopwatch and alarm. All of them have liquid-crystal displays.

The TI-1700 DataCip is little longer than a pen and only about an inch wide. It has the five functions of addition, subtraction, multiplication, division, and percentage, plus a memory with add, subtract, recall and clear. Typical operating time is 1000 hours from a set of batteries.

The TI-1700 DataClip is little 70 g, measures only 11.5 x 6.8 x 0.8 cm, and is supplied in a wallet folder with notepad and pockets for business cards. A square-root function is included, as well as the five basic functions and a four-key memory. Battery life is typically 2,000 hours (equivalent to up to seven years' normal use).

The TI-1790 DataChron combines the functions of a calculator, alarm clock and stopwatch in a unit measuring 13.5 x 6.9 x 0.8 cm and weighing 90 g. It features the same six functions as the TI-1750, with the addition of a display showing time, day, date, and AM/PM. A built-in alarm can be set to any hour and minute, and the stopwatch mode allows elapsed times to be measured to an accuracy of 0.1 sec. The TI-1790 will operate for over one year on a single set of batteries.

Texas Instruments, European Consumer Division, Manton Lane, Bedford, MK41 7PA. 0234 67466.

● HANDLING

Platform has long reach

SAID TO give the highest reach —12 metres—from a unit mounted on a transit type chassis manufactured in Britain, is a work access platform from Hy-Ryder, Manlift House, Crabtree Manorway, Belvedere, Kent DA 17 6AB (Erith 47721).

This sort of stretch would hitherto have been achieved from a unit mounted on, say, a 3 ton lorry, says the maker. Called the B-12 it will rapidly and safely raise 160 kg of men and materials, on a 900 x 600 mm enclosed platform, to complete a wide variety of jobs in high, inaccessible areas thus eliminating the need for costly scaffolding.

It is said to be particularly suitable for external erection and general maintenance and painting work around a manufacturing or general building complex, or for a wide range of local authority work.

● SECURITY

Penetrating alarm

A SIREN capable of generating sound levels up to 100dB(A) is built into a device called Audilarm introduced by Safety Technology, Gresham House, Twickenham Road, Feltham, Middlesex TW13 6HA (01-894 5511).

The sound may be either a continuous 2.5kHz tone or a 2.5 to 3.0kHz sweep at nine times per second, according to choice made by selecting polarity during installation.

Each alarm is said to be ruggedly constructed from durable plastic with a solid state circuit resin-encapsulated to give added protection.

● CONFERENCES

Down to the sea

TWO CONFERENCES taking place in the RAI, Amsterdam, during this year's Europort Exhibition, are "Naval Construction and Equipment" (November 14-16) and "Small Crafts" (November 17).

Conference programmes and further information are available from Expo Travel and Conferences BV, Waalhaven ZZ44, 3088 HJ Rotterdam, The Netherlands (0101 299655).

● PROCESSES

Profiling by laser

PLASCUT, early operators in the commercial use of laser and plasma profiling, have moved into system design and manufacture, with the formation of Plascut Advanced Systems, based in the Sheffield area.

It will manufacture custom-built laser, plasma-arc and similar advanced profiling equipment employing the latest computer numerical control and line-following control techniques.

The company has won four orders for laser profiling systems, the first of which is for the packaging industry. It will also handle the future development of the group's all-British air plasma-arc cutting system, the PE50.

Plascut, 7, Moorgate Road, Rotherham, Yorks S60 2EG. 0709 73531.

Pumps paint to sprayers

A HIGH pressure pump for two spray guns has been introduced by Atlas Copco (GB), PO Box 79, Swallowdale Lane, Hemel Hempstead, Herts, HP2 7HA.

Called the Ecco Hydric 12G it is described as a mobile high capacity pump whose pressure ratio is sufficient to allow long hoses to be used even with thick paints. A low piston speed keeps wear to a minimum.

It is supplied with a large air preparation unit, pulsation damper with two connections for spray guns, a suction hose fitted with a filter, an earthing device and a lifting eyelet for a crane hoist.

Because of its sturdy construction it is suggested for use by contractors and shipyards and in tough environments.

● PERIPHERALS

Cutting cost of terminals

THERE ARE many companies selling terminals and peripherals in Britain, at least several dozen, but BMS Terminals is the first company to offer an advisory and rental service for such equipment, although this sector of the market is probably the fastest-growing in computing.

This new venture, which has no link with any of the several hundred manufacturers of equipment, has the backing of the London merchant bankers Keyser Ullmann in its plans to offer rental services for periods which can be as short as one month — to cope with a crisis, or allow evaluation prior to long-term use.

Primary targets will be the service bureaux and their customers as well as large companies currently using time-sharing networks.

MBS will also work with manufacturers and agents involved in the peripheral worlds who do not want to become involved in the intricacies of the rental market.

Another area will be that of the large company which is planning to set up a telecommunications network for information handling within its own grouping of factories and offices, but wishes to avoid the high capital expenditure multiple terminal installations can involve.

Apart from this, MBS has considerable expertise in word processing and is prepared to provide its support to would-be users who, at present, fear the the effects of rapid obsolescence.

Because of the long experience of the company's principals in bureau work or in manufacturing, MBS claims to have unique expertise in the field it has chosen.

Further details of the service from MBS Rentals, Aldwych House, Madeira Road, West Byfleet, Surrey, KT14 6DA. Byfleet 49511.

CONTRACTS AND TENDERS

Building and Civil Engineering

£16½m motorway for Wales

THE Cementation-Costain Joint Venture has won contracts for the M4 motorway, Pencoed to Stormy Down section, worth £16.5m. Work will start in November and take two years to complete.

The work calls for 14km of dual three-lane carriageway with hard shoulders and includes 17 bridges, culverts and a pedestrian subway.

Considerable drainage work and diversion of several streams will have to be undertaken. Earthworks will be extensive and involve excavation of 2.7m cubic metres.

Consulting engineers are Freeman Fox and Partners.

£2m award to Mears

TWO CONTRACTS, together valued at over £2m, have been awarded to Mears Construction.

One, worth £1.1m, awarded by the Secretary of State for Wales, involves the construction of 1¼km of single carriageway road and the importation of 230,000 cubic metres of fill material to form a new embankment on the main A40 trunk road at the Pont Loerig-Black Bridge Diversion in Whitland.

Also included is the construction of two bridges, one over the main London-Fishguard railway line and the second over the Afon Taff River.

The second contract, awarded by the Grosvenor Housing Society is valued at over £1m and is for the construction of seven blocks of terraced houses and flats at St. Helens, Lancashire.

£3m road project

A CONTRACT to rebuild the A406 North Circular Road intersection above the A40 Western Avenue underpass at Hanger Lane, Ealing, London, has been awarded by the Department of Transport to John Mowlem.

The two-year project, which will cost £3m, involves the reconstruction of the present road system above the underpass and adjacent T-junction of the A4005 Hanger Lane with the A406. Included will be a 12.3 acre roundabout. In addition there will be an extensive system of underground pedestrian subways connecting with Hanger Lane underground station, which will become the centre of the new roundabout.

One section of the roundabout will cross over the railway and a station platform on a 26.6 metre span bridge using 58 tonne precast, prestressed concrete beams.

Consulting engineers are Husband and Company. Work is about to start.

New town in Wiltshire

HOMES IN large numbers are to be built in a project which will expand over the next five years into a new garden town on a site to the west of Swindon, following a sod-cutting ceremony which took place last week.

Major participants in the construction consortium are Costain Homes, Barratt Developments and Edwin H. Bradley and Sons and the name for the new town which they will ultimately create is Westlea Down.

The consortium has put a value of £60m. on the project as a minimum figure. It could go to as much as £75m.

Co-ordination is in the hands of a Bradley associate company—Bradley Planning Services.

Its task will be a vital one since the intention is to build between 400 and 500 homes a year for the next five years with an ultimate target of some 4,500 homes.

But apart from this, it will be essential to phase in many other types of activity since, interleaved with the 266 acres set aside for dwellings, there are 71 for industrial use, 44 for schools, 15 for a district centre (to include shops) and 87 acres for woodlands and open spaces.

The figure of £60m breaks down roughly into £40m for housing at the planned annual rate of 400 to 500 units and with 50 a year as a minimum output; 9m for building industrial premises and £11m for the land. These figures are already being revised upwards—land apart—and could rise to something of the order of £75m by the end of 1983.

Each of the home building groups—Bradley, Barratt and Costain—will buy land from Bradley Planning Services on which they will build their full range of homes, according to demand.

It is anticipated that the housing venture will be largely self-financing. Meanwhile, a target of 1m square feet of industrial space is being aimed for.

At present, Bradley is laying some 3.2km of distributor roads and drains. House building will start after the turn of the year and first occupancy is scheduled for next summer.

The district centre is expected to be partly *in* use by 1980, and the first industrial units by January of that year.

These moves follow on the release by the Secretary of State for the Environment in January of what then was the largest area of land granted planning permission for some years. During spring and summer this year, a master plan for the new garden town was prepared by Bradley Planning Services in conjunction with the local authority, Thamesdown. It was adopted by the Wiltshire County Council Planning Sub-Committee in September.

Irrigation projects in Indonesia

MORE WORK is coming from Indonesia to Cambridge consulting engineers Sir M. MacDonald and Partners.

Last week it was announced that in the Kediri district of East Java they are to supervise the drilling and testing of new wells for the irrigation of 40,000 hectares. This follows the approval of £1.5m grant aid by the British Government, to the Indonesian Ministry of Agriculture for further development of a project initiated in 1972.

In the Kali Progo irrigation project in Central Java, MacDonald has been appointed for the design and supervision of a construction of a system of irrigation canals and weirs to augment an earlier project for the renewal and renovation of an old canal system, financed by the British Ministry of Overseas Development.

The appointment follows the grant of a World Bank loan of the order of 10,000m Indonesian Rupiah. This work, which will be carried out jointly with the Indonesian Government, is to be started soon and is to be completed in about 3½ years.

The latest job in the Lodoyo-Tulungagung tract of East Java, where MacDonald has been engaged, since 1975, in the design of a major canal system, is for design and supervision of construction of the second phase of the project and for testing the first phase, recently completed. Work has started and, as in the new Kediri and Kali Progo appointments, Hunting Technical Services is *assisting MacDonald* with hydro-geological surveys and agricultural planning.

In East Java, MacDonald has been appointed to assist in the introduction of revised operation and maintenance procedures for 60,000 hectares of existing irrigation systems.

M20 plan in Kent

TENDERS BY Dowsett Engineering Construction to a value of just under £15m have been accepted by the DoT in respect of the 12.6 km stretch of the M20 motorway between Ashford and Sellindge, Kent.

The route will start as an interchange west of Ashford and run south-east along the line of the existing Ashford by-pass from the A28 to Willesborough.

Work on the final link in this important link with Europe, *from Ashford to Maidstone*, will start in 1979-80.

£11m Wimpey awards

THREE CONTRACTS totalling more than £[illegible]m have been won by George Wimpey (Caribbean), the largest being for the Ministry of Housing, Government of Trinidad and Tobago, for 350 houses at a cost of £3m. The other two include work for Amoco Trinidad Oil Company and the Trinidad and Tobago Telephone Company.

Contracts in Toronto are valued at more than £[illegible]m. The largest, in excess of £1m, is for the development of a private estate at Brampton, Ontario. The provision of services and private estate development for Marlborough Properties at Aurora, Ontario, is valued at £900,000, and a third contract for £730,000 is for provision of services and site preparation of an industrial undertaking at the City of Mississauga.

Work at home for the Guinness Trust exceeds £1.4m for the construction of dwellings at Ridgeway, Plympton, Plymouth.

The largest of all recently won awards is worth over £4m. The company will build 380 local authority houses at Thornhill, Forres, at a cost of £4.1m, for Moray District Council, under its no-fines technique of construction in a 21-month contract, due to start any moment now. A further contract for £240,000 is for a single-storey warehouse and office, to be built on the Wimpey portion of the Altens Industrial Estate, Aberdeen.

● INDUSTRIAL BUILDING

Simonbuild busy on factories

TWO CONTRACTS for projects at Skelmersdale, Lancs., have been won by Simonbuild. One is for three pairs of semi-detached factories for the Development Corporation. Value of the contract is £625,000. The other, worth £215,000, is for a factory and office extension for Polythene Drums (Lancashire).

An order has been placed by E. Fogarty, Boston, Lincs., for an extension to its manufacturing unit which was built by Simonbuild five years ago (£208,000) and for Warrington Development Corporation, Simonbuild is constructing 16 single-storey, steel-framed advance industrial units in two separate blocks under a contract worth £862,000.

£13.8m Laing awards

JOHN LAING CONSTRUCTION has been awarded a £10m contract, by Leyland Vehicles, the truck and bus company in the BL Group, for the erection of a workshop and technical buildings.

Laing says the project is the largest single contract placed in the £22m first phase of the £33m programme to build the facility on a 150-acre site on the Moss Side Industrial Estate near Leyland, Lancs.

Work has already started on the contract which includes the construction of a 56,000-sq-ft test building, a 40,000 sq-ft workshop and a 43,000 sq-ft link block, for completion within two years. Work on the installation of vehicle test tracks at the site is being carried out by a separate contractor.

The workshop and test building will be steel-framed with PVC and brickwork cladding and metal roof decking. The link building will have a concrete encased steel frame with facing brickwork and metal roof decking.

Architects for the project are Fairhursts, of Manchester.

Down in the south in Canterbury, Kent, Laing has won a £3.8m contract to build 191 houses and 125 flats for the World of Property Housing Trust Housing Association on a disused nursery site at Forty Acres Road. The City of Canterbury is providing the funds for the building project.

The two-storey houses and three-storey flats will be of traditional brick and blockwork cavity wall on concrete foundations, with tiled pitched roofs. Work is to start in early October and is due for completion by the spring of 1981.

Architects are The John Floydd Partnership of Folkestone.

Factories in Wales

THE WELSH Development Agency has awarded contracts totalling about £2m for the construction of 16 advance factories in the Blaenau Gwent area.

Biggest contract is for two 50,000 sq. ft factories at the 200-acre Rassau Industrial Estate which is being opened up by the Agency as part of a drive to attract fresh industry to the area following the shutdown of steelmaking at Ebbw Vale steelworks.

The £1.2m contract has been awarded to R. M. Douglas Construction and work is due to start this week. At the same time, work will start on eight 5,000 sq ft units at Rassau under a £445,000 contract to be carried out by Tarmac Construction.

Meanwhile, the Agency is continuing to develop factories on the Tafarnaubach Industrial Estate where, under a £333,600 contract, Holland, Hannen & Cubitts, will build six 5,000 sq ft units. The work is due to start next month.

Finally, a £316,900 contract for the building of a 24,500 sq ft *extension to the offices and production* area of the Grundy Auto Products factory at Tafarnaubach has been awarded to Shepherd Construction.

Beer cask filling plant

BREWERS Greene King and Sons have appointed Bovis Construction as managing contractor for its new draught beer facility at Bury St. Edmunds, Suffolk.

The building will occupy a site on the water meadows between Cullum Road and the river Linnet and the steel-frame, single-storey structure will extend over a floor area of 2,800 square metres. It will be clad externally with profiled metal sheeting.

External works will include a service road, loading and unloading yards and, in the initial stages of the contract, a Bailey bridge will be erected to provide access across the river Linnet. Total value of the contract is about £1.4m.

Pilot works have already begun on site and the building is scheduled for completion in the summer next year. Architects are Michael Hopkins.

Vehicle spare parts factory

WORK HAS been started on a £1.4m spare parts factory for *Leyland Vehicles* at Chorley Lancs.

The factory, covering 120,000 sq ft, will stand on a 7.5 acre site at Common Bank Industrial Estate within two miles of the main Leyland complex. It is due to be completed in April, 1979, when it will be fitted out with machinery for the production of spare parts for non-current Leyland vehicles.

Hayward Industrial Developments, which won the contract in open tender, is responsible for the design, finance, building of the factory and lease back arrangements.

The factory which is being constructed by Fleet Builders of Thornton Clevelys near Blackpool, will be of steel frame construction, brick clad with asbestos roof and corrugated plastic coated steel sheeting to the sides.

Warehouses in Glasgow

GILBERT ASH SCOTLAND, a Bovis company, has been awarded a contract for three warehouses in Scotland Street, Glasgow, by Commercial Union Properties, a subsidiary of Commercial Union Assurance Company.

The warehouse will have steel frames with vinyl steel cladding with an insulated plasterboard lining and a power floated concrete floor. Total area involved is just over 5,500 square metres, the value of the contract is £624,000 and the project will be completed in 42 weeks.

This latest job brings the total value of factories and warehouses won by Gilbert Ash in Scotland so far this year to over £2½m. Included are projects for Brown and Root (UK), Town *Centre Enterprises and Scottish* Equitable.

£1.2m job on power station site

HIGGS AND HILL NORTHERN has been awarded a £1.2m contract by the Central Electricity Generating Board for the refurbishment of prefabricated buildings in Selby, Yorkshire.

Buildings being modernised include the residential hostel, site office and canteen. The refurbishment project is part of a plan to improve the working environment for employees on the Drax B power station contract.

Architects are Clifford Tee and Gale.

IN BRIEF

● Arabian Marketing Research and Construction News are jointly arranging a two-day conference (October 18-19) in London to discuss building and civil engineering problems and prospects in the Middle East. Details from Northwood Conferences / AMR, Northwood House, 93-99 Goswell Road, London EC1V 7QA.

● Dearborn Chemical is to invest over £600,000 on a new plant at Widnes, Lancs.

● Ocean Research Equipment Inc, an American seabed survey equipment supplier, has formed a subsidiary, Ocean Research Equipment, to handle sales and servicing of its equipment in the UK and Eire.

● Tarmac is building seven factory units at Horton Wood a 272-acre industrial estate at Telford, Shropshire under a £1.3m contract awarded by the Development Corporation.

● Under a mechanical services contract valued at £500,000, Haden Young is to install air-conditioning and heating services to No 3 St James's Square, SW1, former London headquarters of the Clerical Medical and General Life Assurance Society.

● Oscar Faber and Partners have been appointed by the North-West Regional Health Authority to design the mechanical and electrical services for the first stage of the new South Trafford Hospital in Manchester.

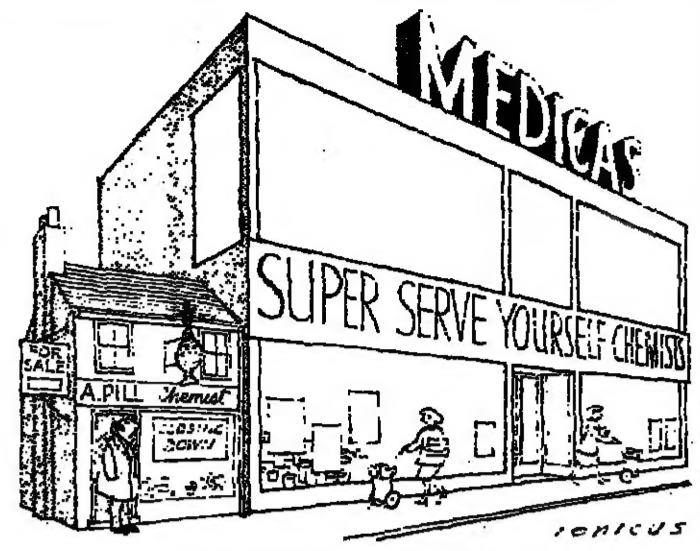
This phase of construction is expected ot cost about £6m with services costing in the region of £2¼m and will provide about 230 beds and a number of operating theatres.

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

EXECUTIVE HEALTH BY DR. DAVID CARRICK

Sore head shock brings 'cautious chemist' call



. . . the small chemist is being destroyed . . .

I WAS somewhat surprised when a girl came to seek my advice some time ago. Daughter of a City man, she was pretty and expensively dressed. Nowadays it is rare for girls to wear hats, except at weddings, but this lass was swathed in a type of turban.

She unwound the garment and it became clear that it was not there for ornament, more for disguise. As this was prior to the punk rock era, the bizarre state of her hair disturbed me. I cannot describe the style, but if one can imagine a Cairn terrier that had fallen into a mincer and then been subjected to blasts from an erratic paint-sprayer, some faint appreciation of the vision may filter into the imagination.

And it was about this devastated mop that the girl sought my assistance. Nothing short of six months would have helped the hair, but one of her complaints was that her whole head was sore, and when I gingerly delved into the ravaged crop I found that the scalp beneath was angry, inflamed and weeping.

I asked her what sort of an accident she had had: and she became quite indignant. "None," she said, "I only tried to dye my hair to please my boyfriend. But I've lost him altogether," she wailed. "And daddy has been so horrid. He says I've caught the mange and he won't eat in the same room with me!"

I attempted to treat the condition and asked her if she would bring the remains of the dye (which she had bought at a supermarket) for my elucidation. So the next day she brought in a little bottle which still contained a small quantity of dark fluid. But it was the label that interested me more. Three and a quarter inches long and one inch wide, it had printing on it which would make a miniature Victorian prayerbook seem to be as readable as a placard. With the aid of a powerful magnifying glass I made out the legend which, in parts, amazed me.

There were two paragraphs under "CAUTION." One warned that the preparation could cause "serious inflammation" of the skin in some persons, and suggested strongly that the fluid should only be used "in accordance with expert advice." Now, serve-yourself stores are not notably rich in expert advisers, but as the girl had not even attempted to read the tiny words, the warning was lost on her.

The second "CAUTION" was even more disturbing. Having re-emphasised the first, it said that the user should try out preliminary tests "according to accompanying instructions"—which the girl had lost. But it was the last, nearly invisible line that really shook me as it said the fluid must be kept away from the eyes as it "may cause blindness"!

Happily the girl had only burnt her scalp, which took no more than a fortnight to repair. But things might have been much worse.

Now it is true that the manufacturers had given their warnings quite properly but had failed to consider that the label, which evidently had been reduced from one intended for a bigger bottle, was difficult to read; so they had not meant to mislead. Furthermore, sales of the product were probably intended for pharmacists and not to shops lacking in "experts."

Many other cosmetic preparations are far less specific as to risks of allergies, etc., than this, and produce as much irritation to the wretched doctor trying to solve skin problems as they are grievous to the sufferers. Most give no hint of the ingredients whereas the most innocuous medicines must state these in full.

Bad as this may be, the sin would be far less if the sale of such preparations were to be restricted to chemist shops employing qualified pharmacists who are individuals of great ability and are as cautious as their responsible positions demand. Few know that, if a mistake is made in the dispensing of a prescription, even if it was initially made by the doctor, the blame and the penalty is laid at the door of the pharmacist.

Owing to the poor payment received by pharmacists from NHS prescriptions, and the competition by stores run by the totally unqualified, the small chemist is being destroyed; a recent estimate was that one pharmacy per day is closing down in this country.

Thus, unless action is taken to alter the present undesirable trend, more and more unqualified people will be taking money for potentially dangerous applications from those seeking to enhance their beauty, dangerously unaware that, instead, they may well be much marred temporarily or for a very long time.

Architecture: never mind the awards, does it really work?

Francis Duffy examines the lasting benefits of unusually close co-operation between client and architect in industrial building

TO WIN an architectural award is a bit like winning the Miss World title. It's great at the time but all the plaques and certificates in the world cannot prevent the accelerating drift into oblivion of all those lovely details and cunningly contrived spatial effects.

You may shed a tear or two for the architects of an award-winning building but they are usually well launched into something new. It is easier to sympathise with their clients, who sometimes have to live with diminishing glory and an all too lasting monument.

Patscentre is not a bit like that. Certainly it is a building which has been highly praised and which won a Financial Times award for Industrial Building (in 1976). The difference is that Patscentre is something extremely rare—a building which has been shaped by the coincidence of an innovative client and a thinking architect who also happens to be a fine designer.

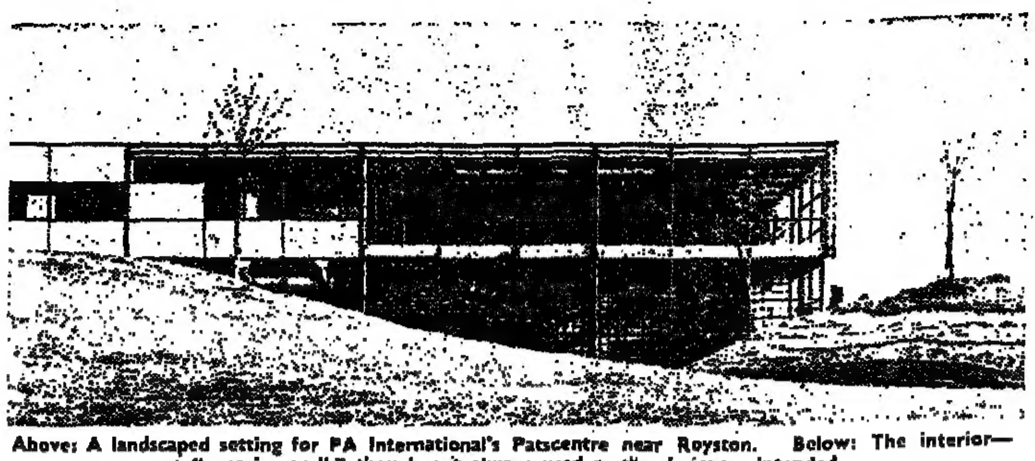
It is extremely important not to regard this building simply as one of those objects which architects like to admire in their glossy magazines. It wasn't built to be given an award: it was made to be used by people who know what they are doing.

Scientists

How has it been used and how has the original design concept served the user?

Gordon Edge, the director of Patscentre, is quite clear about what he wanted from the building. The Centre—near Royston—is part of PA International, a major consultancy. The work of Patscentre (standing for PA Technology and Science centre) is the kind of product development in which complex problems are solved by scientists and engineers from several disciplines working closely together. As well as their own offices they use laboratories, workshops and drawing offices.

Had things taken their normal British course, no new building would have been built, no new thinking attempted. A large old country house full of pomp, barriers and bad old ways would have been bought.



Above: A landscaped setting for PA International's Patscentre near Royston. Below: The interior—"wearing well," though not always used as the designers intended.

Instant polarisation would inevitably radiate from the fabric: between senior management in big splendid rooms downstairs and junior staff in servants' quarters upstairs; between the electronic engineers in the East Wing and the chemists in the West Wing; between the offices in the big house and the laboratories at the back. When you buy a country house, you don't just buy square feet. You buy history: perhaps the wrong sort or simply more than you need. Edge wanted none of this.

A multi-disciplinary development group like Patscentre is perhaps less typical of present day bureaucratic structures than of the future. However, the very untypicality of its organisational requirements makes it much easier to relate them to the detailed design of the building than is the case with conventional offices.

Innovation depends upon knowing what is going on, and on pulling this information together. Choice may often play a part: an open office is one way of achieving this serendipity, since information is seen to be free to all and is readily available when needed.

An organisation made up of specialists in various fields working on several problems, sometimes in one team, sometimes in another, must be flexible and yet must be managed tightly in case deadlines slip. Professional standing has to be reconciled with managerial authority in a matrix of staff and line functions.

To achieve all this, a highly flexible and egalitarian layout in which all workplaces are similar and interchangeable is a very sensible solution. Office work is one aspect of product development; laboratory work another. No one can predict precisely what mixture of desk and laboratory work is appropriate for a particular project in its various stages.

The obvious solution, as at Patscentre, is not to separate laboratory and office but to bring them under the same roof; not only that, but jammed right up against one another, separated only by glass. Some work requires contact, other problems need deep thought and privacy before they can be solved. At the centre, the solution is to provide open plan offices flanked by study rooms, where the door can be shut and peace ensured.

These are obvious examples, just the kind of thing a sensible manager would request and a competent architect would provide. Or so you might think, until you realise just how rare and special Patscentre is—a building in which a consistent effort has been made to create an environment in which everything contributes to flexibility and innovation.

So it is hardly surprising when you see the building for the first time—a sharply detailed glass box by day, or a luminous open grid at night—that it looks fresh and new. But is it the building for the job? Does it really meet its objectives?

The simple, rectangular building is certainly a very efficient response to functional requirements. But buildings also work on another level—they transmit messages about management intentions; and it is at this level that the real success of Patscentre is apparent.

Confident

Take the message to the outside world, to the visitor arriving at the centre for the first time. A country house would whisper sweet nothings about tradition, or worse about a decline from former glories; Patscentre's precise, inexpensive looking, elegant box poised on the side of a hill says that the outfit that works here is as up-to-date as any in Europe and that it is confident in itself and its values.

Or consider the series of messages which the building puts across to staff. Open planning and well worked-out adjacencies do not of themselves necessarily achieve better communications. But this building's simple, open interior with laboratories clearly visible from almost every desk, is constant propaganda, reminding everyone that knowing what is going on is part of the job. There is another message, too, which is quite blatantly expressed by this straightforward, bright, egalitarian interior. It is that everybody matters, and that success depends not upon being in the right room, or upon given rank, or professional standing, but on getting together to do the work successfully.

Because this is a very simple building, some architects would say that it lacks expression. This is not true: many messages are expressed—not the full range of all possible messages, of course—but as many carefully calculated statements as a piece of advertising copy.

It is when the centre's architecture exaggerates a message for its own purposes or understates something important that there is room for criticism. Take exaggeration first: the panels in the outside wall are removable, ostensibly to allow different arrangements depending on need; actually to glorify the abstract notion of demountable, meccano-like buildings. This is a slightly baroque, over-elaboration of a good idea that just is not necessary in this particular circumstance.

It is highly unlikely that these panels will ever be demounted except in a major expansion, in which case a traditional construction might be no less flexible.

Inside, understatement presents the opposite problem. Desks and equipment and partitioning are not always up to the obviously heavy demand for additions and re-arrangement. Cobbling things together has now become the need: the super-clean overall aesthetic is a little too thin and tends to contradict rather than satisfy the robust requirements of people who are, after all, so much more interesting than the buildings which house them.

Looking around the interior after only two years use, the materials seem to be wearing well, but there are obvious adaptations which have taken place despite the building. One example is the various Hewlett-Robinson benches and supports in the laboratories which owe nothing to the architect; another is the paper which has been pasted over internal glazing in one or two places to prevent overlooking.

Buildings exist in use; as architectural beauty queens they are meaningless. Not only are they functional devices which can be planned well or ineptly, they are also a means of expressing what matters to staff and to the outside world. But most importantly they are in use for very long periods and must be able to adapt and change their tune.

Patscentre was precisely designed in the first place to an open and intelligent brief. It is still very young, but shows every sign of being able to cope far better than most new buildings with problems in use despite the fact that some aspects of adaptability have been exaggerated while others, mainly concerned with the way individuals do their work, have been underestimated—such important points as the need for flexible storage and desk space.

It is better to keep on winning than to be a beauty queen just once. Perhaps there should be a Financial Times award for buildings in use.

Lickert visit

THE LEGENDARY Professor Rensis Lickert is coming to Britain later this month to talk on managerial styles and leadership behaviour. The professor will be leading the second day of a two-day conference at Cranfield School of Management on improving organisational effectiveness.

He will be talking on, among other things, whether some management styles are more effective than others and training and development strategies required for more effective management.

Details of the conference to be held on October 12 and 13 (price £195) from the organiser, Dr. Charles Margerison, Professor of Management Development at Cranfield, Bedfordshire.

LOMBARD

Unbelievers and enthusiasts

BY PETER RIDDELL in Washington

DURING A WEEK at the International Monetary Fund meeting in Washington it has been hard to find anyone who is enthusiastic about the proposed European Monetary System and equally hard to find anyone who doubts that a scheme of some kind will come into operation next year. The prevailing mood was best summed up by a central bank governor from a country in the present European joint float, the snake. Looking even more world weary than usual, he remarked on his sense of Deja vu about the proposals—he had seen it all before in the early 1970s.

The scepticism has led to all kinds of conspiracy theories about the motives of the participants. German bankers are suspected of wanting so tight a system as to be indistinguishable from the present snake—because of the fear of importing inflation—with no real desire for a fully-fledged EMS. At the same time, the sole French concern has been seen as the desire for at least a temporary period of currency stability next year because of the need to counter domestic inflationary pressures with the required support or the franc coming from Germany. All this has left the UK appearing almost as an injured innocent in a world of Continental Machiavellis.

Commitment

There are, of course, enthusiasts for the proposals—mainly among political leaders rather than officials or bankers. The Franco-German accord cemented at Aachen reflected the strong political commitment of Chancellor Schmidt and President Giscard d'Estaing which is why the scheme will go ahead. And this view is shared by Mr. Callaghan, even though he has been a follower rather than a leader in the discussions. In considering the merits of the idea it would be wrong either to underrate the political commitment at the top or the special motives of the strongest supporters and the scepticism of their officials.

However, the very limited public debate in Britain about the proposals has already turned into yet another replay of familiar EEC arguments which has masked these distinctions of motive. The problem is that discussions have been undertaken by two overlapping groups—the European specialists, both at Brussels and in the Foreign Office, and the economists, in the Treasury and elsewhere; both these groups have exact and equally distinct counterparts in the Press.

The result is that two different approaches have emerged. The European specialists have argued that what matters is a broad-brush view—Britain has suffered in the past from missing the European bus and should not be left behind again. Accordingly, the UK should participate from the start in seeking to shape the scheme and should not worry too much about the finer technical points. The other view—that of the economic specialists—is that the whole issue of currency stabilisation should be judged not as a test of European commitment but on whether the scheme will help the UK economy. On this view, the nature of the proposals and the detailed terms do matter.

Britain's chances of influencing the system from the start have not necessarily been helped by its negotiating tactics of concentrating on details. At present, however, the scheme looks like being essentially an enlarged snake serving specific French and German interests. For all the talk by European specialists about the scope for a transfer of resources from richer to poorer countries and regions and the reform of the Common Agricultural Policy, there are scant signs of a serious interest on the Continent in changing these features of the Community.

Indeed, to make a currency stabilisation system work with the present economic divergencies in Europe would require a much larger transfer of resources and expenditure within the EEC than is ever realistically likely to be approved by the wealthier nations, in particular the German taxpayer. So occasional devaluations may still appear as a simpler and more efficient means of adjustment between nations. Moreover, a workable system would require a more general co-ordination of economic and monetary policy towards common guidelines than is currently on the agenda.

High parity

It is arguable that Britain should join the EMS in order to work towards these goals but it is an illusion to believe that this is what France and Germany have in mind. Britain may swallow its technical reservations and join the scheme on the grounds that it will allow countries to adjust their parities from time to time to reflect differences in economic performance. There is also the practical problem of whether Britain wishes to peg its rate at the present relatively high parity or whether the pound might be devalued on entry—hardly an attractive option just before an election. In these circumstances and given the motives of the participants, EMS appears less of a great leap forward for the European idea. The real question may be not whether the scheme goes ahead but how long before it collapses.

THE WEEK IN THE COURTS

Law services report spices new year talk

BY JUSTINIAN

THE PERENNIAL speculation at the opening of the new Law Year of what there is in store for the law has the added spice this year of the impending report of the Royal Commission on Legal Services. But the additional interest of changes attendant upon a general election is absent.

As the legal profession marches in procession today to Westminster Abbey, congregates en masse at the Lord Chancellor's "breakfast" (consisting of a rather indifferent glass of punch) and then moves on to the Law Courts in the Strand, the professional chatter will be unusually subdued.

The postponement of the General Election has stripped the profession of its favourite guessing game about who would be the new Lord Chancellor and who, under a different administration, would fill the prize offices of Lord Chief Justice (were the present incumbent to resign, as has been mooted frequently in recent months) and of Attorney-General and Solicitor-General.

The vacation of two months has produced only one judicial appointment. The High Court judge assigned for the last 12 years to hear cases in the Admiralty Court, Mr. Justice Brandon, has earned his promotion to the Court of Appeal. His successor, Mr. Justice Sheen, is a well-known figure in Admiralty cases. That is spare diet for the Temple gossipers.

Inquiry

The usual ebullience of the legal profession has been less evident ever since early in 1976 when it learnt to accommodate itself to having the profession put under the miscroscope of a Royal Commission.

A public inquiry began into whether the profession should remain self-governing, what is the size of the cost of going to law, the division of the profession into barristers and solicitors, the monopoly of conveyancing of house purchases, the system of handling complaints against lawyers, and generally the education and training of lawyers and the quality of legal services. All these huge problems constituted a mammoth inquiry into the fundamental question whether the legal profession provides adequate services to the public.

For two years the Commission has beavered away; it has been deluged by the mass of paper submitted by way of evidence, and it has sat and heard witnesses in the early months of this year. Breathless, the Commissioners have resolved to call a halt on their protracted deliberations and have begun to write their report avoiding the pitfall of a definitive inquiry into every aspect of legal services.

For example, it will sidestep the issue whether there should be a Ministry of Justice, instead of the existing disparate legal departments in all ministries as well as the Lord Chancellor's department and the Law Officers' department. The chairman has been saying that he wants the report written and signed by Christmas, which should mean publication some time before next Easter.

Clean bill

Now that the report is imminent, the lawyers, as they go about their business on a new law year, await with the keenest anticipation their fate. By all accounts they are likely to emerge with a fairly clean bill of health. But even the patient who is told that he is in generally good fettle likes to know what parts of his anatomy could do with tuning up.

Lawyers have been traditionally the foremost, and almost exclusive, providers of legal services. A challenge to that dominant role, that makes them a powerful element in society, is taking place.

The Royal Commission will largely determine how far that movement will go in the near future. Much will depend upon the kind of image the profession presented to the Commissioners.

The public has always had a love-hate relationship with its lawyers. On the one hand they are inevitably the target for much public abuse.

Since lawyers profit out of the miseries of others, without necessarily prescribing any remedy for their clients' conditions, they do not acquire the position of a healer, that attaches to a doctor of medicine.

Their manner of conducting business often exacerbates conflict for their clients; they employ a technique that is remote from everyday language and behaviour; their skills are available only at heavy cost and they are traditionally supporters of the established system. Reform and change are not the hallmark of the lawyer.

On the other hand, they are generally respected as people of high intelligence and of integrity. While in this country they have not attained high public office with the frequency that is common in other Western countries, lawyers have a status in our society not far below that of clergymen and doctors.

And in society which sets great store by Government under the rule of law, the legal profession is expected to play a noble part in ensuring that the laws are made clearly and fairly.

Check

Indeed, they are seen as one of the main checks upon the arbitrary power of Government Ministers and civil servants. Whenever there is a ticklish public issue that calls for independent inquiry, the Government and Parliament consistently look to the judiciary and the legal profession to provide the membership of the inquiring body.

Who else but a leading Queen's Counsel would have been suitable to tackle the inquiry into the Rhodesian sanctions-busting allegations?

Most legal practitioners hitherto, whether in public service or in private practice, have devoted most, if not all, of their time to advising and acting for individual clients in traditional ways. They have not spent their time developing the availability and scope of legal advice.

But the last few years have at last awakened the profession to a new role for lawyers in a changing society. The practice of the law may hereafter never be quite the same again.

Formula Three sponsor

FINANCIAL TIMES REPORTER

VANDERVELL PRODUCTS will sponsor the British Formula Three motor racing championship next year.

The series, organised by the British Racing Drivers' Club and the British Automobile Racing Club, will consist of 20 races. It will include the two British rounds of the European Formula Three championship.

Prize money will be £1,000 a round with £2,500 at the British Grand Prix round.

Vandervell has been closely associated with racing since the 1950s, and in 1958 Tony Vandervell won the world Formula One constructors' championship with his Vanwall team. Since then the company has supplied bearings for racing engines, and 320 Grand Prix have been won using Vandervell bearings.

Savings earn more interest

TWO improvements in National Savings terms have been introduced.

Money deposited in National Savings Bank investment accounts now earn interest of 9½ per cent per annum, an increase of 1 per cent. The maximum holding of index-linked National Savings Certificates retirement issue has been raised from £500 to £700.

RUGBY BY PETER ROBBINS

Argentine game moving towards world class

THE LIST of delegates to the Rugby Union Congress next week is proof enough of the spread of rugby football. A comprehensive programme on the structure of the game here, refereeing and practical sessions will give not only a deeper insight but also a wider knowledge for the delegates to take back home with them.

Argentina has experienced a remarkable explosion in the number of people playing.

When Oxford and Cambridge toured there in 1956 there were only seven up-country unions. Now there are 14, but as with other physically large countries exploring a relatively new sport the development of the game in Argentina is seriously hindered geographically.

The vast distances between rugby centres prohibit more frequent contact. The absence of school rugby as we know it places the onus for rugby education on the clubs. There is a crave shortage of well-qualified coaches, so contact with visiting teams is essential.

The Oxbridge team of all those years ago had such name players as Marques and Currie, Brace and M. J. K. Smith; Andrew Mulligan, the Irish scrum-half; and Robin Davies, the Welsh flanker. In short it was a quality team, but I recall that there were no really easy games.

The present manager of the Pumas, Mr. Kember, was a notable referee then, and in conversation with him in Oxford last Wednesday I was struck by his immense enthusiasm and well-founded optimism. Patently Argentine rugby has come a long way, as the game against the Southern Counties illustrated, and the match against the London Division demonstrated even more clearly.

The main influences have been from South Africa and France. Probably the most significant tour by the Pumas was to South Africa in 1965. This is not to forget their last-minute defeat by Wales two years ago, or their 18-18 draw with France last summer.

In 1965 they learned the importance of the scrum, yet temperamentally they needed to expand their game. It was because of this that they invited the late Izaak van Heerden to Argentina to coach.

Van Heerden was coach to Natal, a province known for a rather more British than Afrikaner approach.

Such players as Bedford and Oxlee were greatly influenced by van Heerden, and his precepts can be seen in the present Argentine side.

Wednesday's opposition was worse than mediocre, but the large London pack showed up the major deficiencies as well as highlighting their admirable qualities, amongst which is sheer tenacity.

Back-row snags

The line-out is the area for greatest concern. Treavaglini was too ingenuous against Colclough, while the gigantic Iaschetti leaves a gap when taking a pace forward to jump. The back row is not big by European standards, and this restricts their line-out options.

Their scrum work is adequate, though in both matches they were wheeled. What they lack in strength in the mauls, where they were too easily robbed of the ball, they more than make up for in speed to the ball.

Both matches were examples of machinery versus instinct and adventure. In both instances the Argentine back row showed up the opposition, but on Saturday the collective efforts of London's pack of necessity tired them all.

Petersen has had two marvellous matches. He is a man of perpetual motion with a homing instinct on to any attacker. His tackling is so emphatic that his colleagues can feed off his efforts.

He would certainly grace any international side, as would the Argentine half-backs Porta, the captain and fly-half, and Landajo his partner.

Landajo is a cheeky player with a quick pass and always on the qui vive to run. Porta is a joy to watch with his authoritative passing and kicking, his obvious relish in running and his ability to create something from nothing.

The trouble is that with all their matches so hard, it will be difficult to give these two a rest, so central are they to the team's success.

The other vital player is Sansot, the 20-year-old full-back, who has been in a class of his own so far. He not only fields beautifully and kicks spendidly with either foot, but like Villepreux has that inestimable gift of timing his entry into attacks.

When he is there, the game has another dimension, a dangerous elegance allied to absolute authority that great players possess.

If the wings, Puccio and Cappelletti are a little short of pace, it is not a serious impediment to the back play. The Pumas want to run the ball whenever, but the greatest virtue of Loffreda and Madero in the centre is their fearsome tackling.

French and Woodward shared the same fate as Reynolds and Course on Wednesday, that is, until the final minutes when there were just too many to tackle. One danger signal is that the Argentine backs are very prone to creep offside.

Considering that at least 11 first-team choices have been left behind for a variety of disciplinary reasons, the Pumas' management can be very delighted with the two games so far.

What has appealed to all those who watched is that their adventurous approach contrasts starkly with the method rugby being played in this country.

Certainly hard games lie ahead, but this tour is very much in the nature of giving their players wider experience.

RACING BY DOMINIC WIGAN, PARIS, OCT. 1

Alleged's Arc double

THE WORLD'S most valuable thoroughbred race, the Prix de l'Arc de Triomphe, introduced at Longchamp in 1920 to celebrate the end of hostilities in the First World War, was won here this afternoon in superlative style by Alleged.

Emulating Ribot, his great grand-sire, in becoming a dual winner of the great race (the sixth in its history) Alleged came with a beautifully-timed late run, in contrast to a year ago when he made virtually all his own running.

Quickly away and tucked in behind Dom Alaric and Frere Basile for most of the race, the Vincent O'Brien four-year-old was not given his head until the 18 runners had turned into the short home straight.

Piggott, who had to wait so long before riding his first Arc winner, Rheingold, then asked him for his effort and the response was immediate. Alleged lengthened his stride in the manner of a really great horse and quickly put paid to the chances of the determined but one-paced Frere Basile, ridden by France's champion, Philippe Paquet.

Inside the final furlong that remarkably tough filly, Trillion, normally ridden by Piggott, but on this occasion the mount of Willie Shoemaker, tried to put in a challenge, but found little. Had she not drifted under pressure she might well have run him to a length or so.

There is no doubt that the best horse on the day won, and it is difficult to argue with those who now value the American-bred Alleged, a bay son of Hoist The Flag, at £5-6m. The winner of nine of his ten races, Alleged, trained by the supreme master of his craft, Vincent O'Brien, defeated 25 opponents in last year's race on firm ground, and yesterday accounted for his 17 rivals in contrastingly testing conditions.

Of the others little need be said. Dancing Maid, always well placed by Freddy Head, could not find her customary turn of foot in the closing stages, but nevertheless finished a respectable third. The French Derby winner, Acamas, and the St. Leger hero, Julio Mariner, never showed with a chance.

Earlier in the afternoon, Freddy Head, on the two-year-old Sigy, never had any worries from Lester Piggott's mount, Solinus, in the Prix de l'Abbaye de Longchamp.

Sigy, one of the fastest juveniles seen in France since the war, led from start to finish and had three lengths to spare over Alleged's stable mate, previously unbeaten in five races this year. The luckless Double Form ran his usual game race and finished third.

In the Criterium des Pouliches there was another high-class two-year-old winner, Pitasia, owned by Sir Douglas Clague, for whom the great Crisp used to race. It is worth remembering that last time out Pitasia found Irish River more than a match for her in the Prix Morny, and should that colt challenge for the 2000 Guineas he would clearly take all the beating.

GOODWOOD

2.30—Herr Capitan
3.00—Billion
3.30—Zaharoff*
4.00—Tribal Call**
4.30—Graf Metternich***

SOCCER BY TREVOR BAILEY

McKenzie shines in gloom

ENGLISH FOOTBALL has always been short of players with star quality.

What a star footballer can do to the gate was seen last Tuesday at Stamford Bridge, when almost 40,000 people, easily Chelsea's biggest crowd of the season, turned up to see Cruyff play for Cosmos in a friendly.

In contrast, there were only about 20,000 there on Saturday to witness Chelsea plunge to their fourth successive home defeat, as West Bromwich Albion beat them 3—1 with an ease in the second half which led to the departure of many supporters over half-an-hour before the end.

On this showing the London club is not only heading for the Second Division, but will have trouble when it gets there.

Yet in the team are two players, Ray Wilkins and the recently signed Duncan McKenzie, who do possess star quality. For me, this means that by their skill they are able to create opportunities which would not exist for most players.

A classic example occurred when Cruyff was playing for Ajax against Arsenal. He was standing inside the penalty area with the ball at his feet, the goal some eight yards behind him and a defender at his back. Would he try to beat his marker on the left or the right, or would he pass back to the wing?

What — like the Gunners' defence—I never considered was that he would hit the crossbar with an overhead kick, his back still to the goal.

That was pure footballing magic. It could well take a magician to lift the present Chelsea side, who plainly have lost both their way and their heart.

Stamford Bridge these days does not provide the ideal setting for a footballing star to shine. McKenzie might have set the game alight had his arm not been badly damaged by one of his own side early in the match, causing his replacement at half-time.

With one arm hanging limp he still managed to produce occasional flashes of brilliance, including an inspired chip which Langley failed to exploit.

At his best McKenzie is one of the most brilliant players in the game, but he has yet to find a club able to capitalise fully on his talents and it seems unlikely that Chelsea will be successful where others have failed.

In the first half of last season Wilkins looked just about the best prospect in the country, a future England captain, a half-back with skill, vision, and a sharp eye for goal. But on Saturday he was a big disappointment.

He appears to have gone back. He made uncharacteristic mistakes, including a number of inaccurate passes. His confidence to take on an opponent seems to have departed, and there were occasions when he looked understandably pained, as when, after a fast run forward, a colleague failed to provide him with the ball.

Wilkins clearly has the potential to become a great player but it would probably be in his best interests if he were to move to another club, such as Nottingham Forest or Aston Villa.

They are likely to be chasing honours and with either be would recover his zest, instead of captaining a thoroughly disorganised team whose highest aim at the moment must be to avoid relegation.

It is far easier for a player to stand out in a team which is on top, and it was the big, coloured Regis, of West Bromwich, who caught the eye and the imagination.

He is a most impressive centre-forward, both in the air and on the ground. It is rather surprising that his manager allows him to play with his socks down and no protection. That could so easily lead to a nasty, unnecessary gash on very valuable shins.

TV/Radio

†Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.38 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 The Flumps. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 The Mole. 4.25 Jackanory. 4.40 C.B. Bears. 5.00 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 Dad's Army.
7.20 Tycoon.
8.10 Panorama.
9.00 News.
9.25 1978 Horse of the Year Show.
10.45 Tonight.
11.25 Weather/Regional News.

All Regions as BBC1 except at the following times:

Wales—1.45-2.00 pm Pili Pala. 4.40 Crystal Tips and Alistair. 4.45-5.10 Pippi Hosanhir. 5.55-6.20 Wales Today. 6.50-7.20 Heddiw. 11.25 News and Weather for Wales.

Scotland—10.00-10.20 am For Schools (Around Scotland). 5.55-6.20 pm Reporting Scotland. 11.25 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55 Scene Around Six. 6.20-6.50 Land 'n' Larder. 11.25 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
9.30 and 11.25 Labour Party Conference.
11.00 Play School.
1.45 Let's Go.
2.00 Labour Party Conference.
4.55 Open University.
7.00 News on 2 Headlines with sub-titles.
7.05 World Championship Chess.
7.30 News on 2.
7.40 Conference Report.
8.10 Des O'Connor Tonight.
9.00 Premiere 2.
9.30 Discoveries.
10.20 Word for Word.
10.50 The Price of Freedom.
11.05 Late News on 2.
11.20 Open Door.
11.50 Closedown (reading).

LONDON

9.30 am Schools Programmes. 12.00 Mice and Mendelson. 12.10 pm Rainbow. 12.30 At the Embankment. 1.00 News plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon. 2.25 Labour Party Conference. 4.20 Clapperboard. 4.45 Enid Blyton's Famous Five. 5.15 Gambit.

5.45 News.
6.00 Thames at 6.
6.25 Help!
6.55 Crossroads.
7.00 Cooper—Just Like That!
7.30 Coronation Street.
8.00 Robin's Nest.
8.30 This England.
9.00 The Sandbaggers.
10.00 News.
10.30 Monday Night Film: "The Buttercup Chain."
12.25 am Close: A Russian painting accompanied by the music of Borodin.

All IBA Regions as London except at the following times:

HTV

12.30 pm Farmhouse Kitchen. 1.20 Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.22 Report Wales. 10.35 The Monday Film: "Reflections in a Golden Eye."

GRANADA

12.30 pm Farmhouse Kitchen. 1.20 Dodo. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Father Dear Father. 10.30 Mystery Movie Premiere: McMillan and Wife.

RADIO 1

247m

(S) Stereophonic broadcast
*Medium Wave

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Peter Powell. 4.31 Kid Jensen. 7.30 Alan Dell (joins Radio 2). 10.02 John Peel (S). 12.00-2.02 am As Radio 2.

RADIO 2

1,500m and VHF

5.00 am News Summary. 5.02 Tony Brandon (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 BBC Northern Radio Orchestra (S). 7.30 Alan Dell: The Dance Band Days. 8.02 Radio 2 Gala: The Big Band Sound Special (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 9.55 Sports Desk. 10.02 Pop Score. 10.30 Star Sound. 11.02 Sports Desk. 11.05 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3

464m, Stereo & VHF

†6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Samuel Barber (S). 10.00 George Malcolm, harpsichord recital (S). 10.55 Talking About Music (S). 11.25 Haydn Quartets (S). 12.15 pm Britten and Elgar concert, part 1 (S). 1.00 News. 1.05 Britten and Elgar, part 2 (S). 2.05 Music for Organ by Bach (S). 2.40 Matinee Musicale (S). 3.40 The Music of Latin America. 4.20 New Records (S). 5.15 Bandstand (S). †5.45 Homeward Bound. †6.30 News. †6.55 At Home. 7.30 Scottish Chamber Orchestra Concert, part 1: Haydn, McCabe (S). 8.20 Montaillou, talk by David Luscombe. 8.40 Concert, part 2: Mozart, Dvorak (S). 9.25 Peter Ustinov reads Belloc. 9.35 Webern Plus Boulez, Concert, part 1 (S). 10.05 Albert Camus: Artist or Moralist? (talk by Keith Gore). 10.25 Webern Plus Boulez part 2 (S). 10.50 Interval Reading. 10.55 Concert, part 3. 11.15 Jazz in Britain. The Louis Moholo Octet (S). 11.45 News. 11.50-11.55 Schubert Song (S).

Radio 3 VHF only—6.00-7.00 am and 5.45-7.30 pm Open University.

RADIO 4

434m, 330m, 285m and VHF

6.00 am News Briefing. 6.10 Farming Week. 6.30 Today: Magazine, including 6.45 Prayer for the Day. 7.00 and 8.00 Today's News. 7.30 and 8.30 News Headlines. 7.45 Thought for the Day. 8.45 Antigua, Penny, Puce. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Cross Your Heart? A look at our standards of honesty. 11.50 Announcements. 12.00 News. 12.02 pm You and Yours. 12.27 Top of the Form. 12.55 Weather: programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre. 4.35 Story Time. 5.55 Weather: programme news. 6.00 Dr. Finlay's Casebook. 7.00 News. 7.05 The Archers. 7.20 The Monday Play (S). 9.15 A Sideways Look at . . . 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Call for the Dead by John Le Carre. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 News.

BBC Radio London

206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 [illegible] Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.03 Late Night London. 12.00—Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

(Weekdays only, (Monday-Friday)).

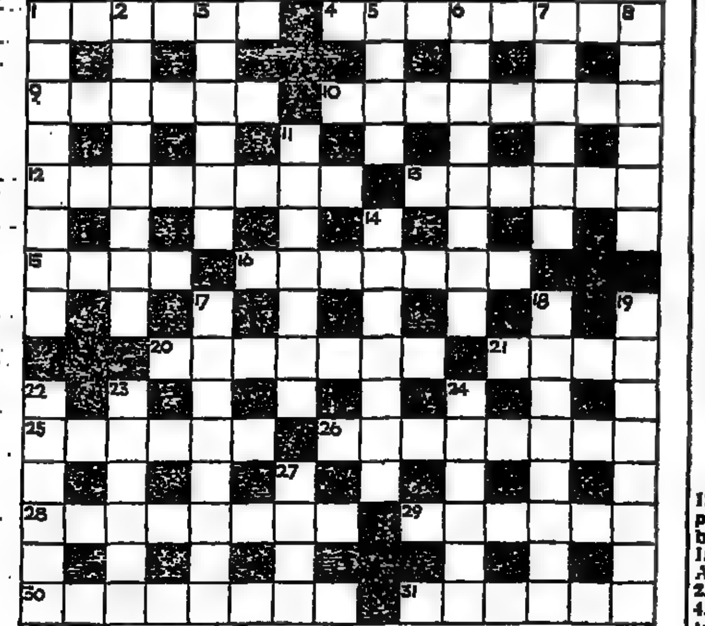
5.00 am Morning Music. 6.00 AM: Non-stop news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'clock Call. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

194m and 95.8 VHF

6.00 am Peter Young's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Mike [illegible] Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,785



ACROSS

1 Peter gets a degree in the republic (6)
4 It's capital to preserve a graduate about to go wrong (8)
9 We find a girl in a Welsh town (6)
10 Dickensian character impecunious but expectant (8)
12 Engineers take in a spy for chemical tests (8)
13 One on ice right after the fish (6)
15 A wine to dismiss (4)
16 An island in which to meet old friends (7)
20 Where the Duke of Clarence finished up (7)
21 Chief lurking in the Star Chamber (4)
25 An afterthought about a friend is terrifying (6)
26 Mark with a manuscript of contradictions (8)
28 Contradiction for instance in a race (8)
29 Stay with mother in control (6)
30 Guide this generation follows—but not first class (8)
31 A tree in the way in Somerset (6)

DOWN

1 Drink leads to stampede in Ireland (8)
2 A bird which is crazy to produce (8)
3 People get round to help a young girl (6)
5 Prima donna on the way up full of eager desire (4)
6 Usher employs coloured staff (5, 3)
7 Refutes picture puzzle about a kind of square (6)
8 Gold rising in the atmosphere of the dawn (6)
11 Possibly masters of the little flowers (7)
14 It's hell to conclude with a refusal (7)
17 A party got up subsequently in Scotland (8)
18 Transport borrowed for West Country fair (4, 4)
19 A box on the head is a stale joke (8)
22 Excursions for jay relatives (6)
23 A river horse reveals the highest point (6)
24 Order inside—take a seat—it's provided (6)
27 One lost in going for a medal (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Leonard Burt

Bengt Rundgren and Gwyneth Jones

Covent Garden

Götterdämmerung

The close of the first cycle of *The Ring* at Covent Garden was a surprise, and a happy one. When it was first shown in 1976, the final instalment of Götz Friedrich's staging of the tetralogy for the Royal Opera seemed to me easily its weakest part—musically only of moderate stature, for the most part at once complicated and dull to the eye (despite moments of breathtaking grandeur in the visual perspective), and crippled by a plethora of production idiocies. But the opera house is a funny place, ever ready to work its magic when magic is least expected; and when a *Götterdämmerung* is as well conducted as Saturday's was by Colin Davis, the blaze cannot be dampened.

Moreover, the editorial decisions of the production—the vision of Siegfried sculling across the stage in the middle of the Rhine journey music, the presence of Hagen throughout most of Act 1, the suggestions of incest between Gibichung brother and sister, the dead Siegfried's repose on his white cosmic sheet (has it turned into a magic carpet to transport him back home?), even the ridicurous reappearance of Alberich at the very end—seemed to impinge on the music less disturbingly than before. Irritations, true; pinpricks; half-digested bright ideas. But not serious enough to interrupt the mighty flow, the natural rhythm of the great score as Mr. Davis has now learned to set it in motion.

In a way, the conducting now works against the grain of the production by encouraging in the music an heroic sense of scale when on stage the action is so determinedly shorn of its qualities of heroism and mythic grandeur. Flow, follow-through, control of the music through transitions, over long spans of time, and towards bravely achieved climaxes: these are now notable features of Mr. Davis's Wagner conducting, at least as it was displayed on this occasion. The first two acts were superbly well sustained, not with any obvious inclination towards the "slow" or the "fast" school of Wagner conducting, but with a natural grip upon the unfolding dramatic pace that bore fruit in orchestral playing alive, tingling, nervy in the best sense (and wisely prepared—rare indeed to hear in the theatre the opening chords of the evening without a fray or a smudge).

Not only because the Covent Garden pit and acoustics do not permit it, the sound will never attain Bayreuth depth or amplitude; Mr. Davis blends orchestral timbres with an instinctive preference for forwardness, keenness, and clarity over sumptuousness. In the third act, momentum seemed to sag during and after Siegfried's narration—given the prosaic quality of Jean Cox's declamation and the monotony of his singing, this was hardly surprising. But sweep returned with Brünnhilde, and, with it, the feeling that the conductor now has *full* measure of Wagner's epic musical design.

The reverse side of Friedrich's coin, much more visible this year, is the cut and thrust of the relationships, the quickness of response in dramatic interplay — whatever one may feel about his "slant" on the characters, there is here no doubting the producer's ability to draw vivid acting from almost all of his players. Only one among them at present joins dramatic vitality to the classic qualities of Wagner singing: in Yvonne Minton's magnificant Waltraute, evenness of scale, steadiness of emission, beauty of tone, and a large and certain command of Wagnerian phrasing act in varying degrees of reproach upon the rest of the cast. Bengt Rundgren's Hagen and Jerker Arvidson's Gunther (new to the house) are both more striking of figure than of voice; the third Swede of the evening, Helena Döse, is a promising Gutrune, with a stronger than usual suggestion of voluptuousness in the timbre, but as yet her playing of a difficult role remains fixed in the primping, coquettishness... the postures of a Hollywood starlet, decreed by the producer. Neither Norns (Patricia Payne, Linda Finnie, Pauline Tinsley) nor Rhinemaidens (Teresa Cahill Elddwen Harrhy, Gillin Knight) are quite the equal of earlier teams.

Brünnhilde? Gwyneth Jones, though this was her first *Götterdämmerung* for the Royal Opera, immediately became an emblem of the production as a whole, in equal parts regrettable, resolute and tremendously powerful, a magnet of attention even when one wished it were otherwise. The voice sounded in slightly better shape than at Bayreuth in 1977; though Miss Jones still invariably tunes herself "into place by means of an agonising slow upward slide, still bumps out individual notes, still phrases in a short-breathed and choppy way, her resources for the role seemed less a combination of willpower and muscular force. In any case, she throws herself with a passion and a spell-binding, heart-rending sincerity into the character—has the drama of loss, grief and furious outburst of the second act ever been enacted with sharper intensity? The beauty of Miss Jones's face and figure and the communicative warmth of her personality, compel admiration even when her voice tests all one's fixed beliefs about the way a Brünnhilde ought to sing.

MAX LOPPERT

Citizens, Glasgow

The Threepenny Opera

by B. A. YOUNG

Predictably, since it is directed by Philip Prowse, who is a designer as well as a director, the Citizens' *Threepenny Opera* is set in an eccentric but beautiful scene. It all takes place in a pale-blue panelled salon handsomely furnished in grey. A grand piano (at which David Gann, in sumptuous drag, sits to play the music) stands upstage, covered in a satin drape, and beyond it is a wide curtained mirror that serves as a traverse across the entrance. The proscenium is hung with swathes of white chiffon.

Before David Gann takes his place, the piano-stool is occupied by a mute, symbolical figure of a bourgeois lady in grey. The thieves and beggars, all in black, steal silently on her — a most effective picture—drag her downstage and take over the room. At the end of Act 1, Macheath, to whom Patrick Hanaway gives the look of a prosperous maitre d'hotel, stabs her gratuitously; and when he is removed to the condemned cell at Newgate, her body shares it with him.

The magnificence of the room, which seems to stretch back for miles, amplifies the savagery of Brecht's invention. There is nothing good-natured in the satire of his songs or his re-handling of Gay's fairly good-natured tale; and so there is nothing good-natured in the action of Mr. Prowse's company. Everything that has to be done, even if it is no more than to arrange tables and chairs, is done untidily and destructively. The pink roses that deck the room are torn up and scattered over the floor. Only the condemned cell (located on top of the piano) remains orderly.

Unfortunately Mr. Prowse has introduced two novelties that to my mind mar his production. The first, and less important, is to have had a lot of the English version (uncredited in the programme) re-translated into German, or pseudo-German. Since the scene is Soho, this is pointless. I thought at first that Peachum (Ciarán Hinds), who talks almost as much in German as in English, was in fact talking Yiddish to emphasise the nature he is given in the play; but no, it was echt German, introduced quite arbitrarily, and given to the others as well, generally to make simple jokes like putting the verbs at the end of sentences. Some of the dialogue must have been incomprehensible to non-German speakers.

The other novelty is worse: the music is not taken seriously. Kurt Weill was a skilful composer who knew what he was doing. The songs must be *sung*. Not sung like Domingo and Berganza, but at least something like Lotte Lenya. In this production some of them are simply shouted (Peachum is the worst offender), and you have to pick up the notes from Mr. Gann on his "prepared piano."

Polly (Judy Lloyd) and Mrs. Peachum (Fidelis Morgan) give us the notes but not the spirit, though the spirit lurks in their acting. Mr. Hannaway in his tidy frock-coat suggests in Macheath's farewell song a fledgling tenor at the Wigmore Hall; Peter Jonfield as Tiger Brown the policeman has a real singing voice but little to sing. Sian Thomas as Jenny Diver does justice to her great revenge ballad: it's her bad luck that we've heard it so often by experts in the genre. Her other song, "Solomon," has been taken from her and given to Christopher Jagger, who in a Common-Man part has graduated from beggar to constable to executioner, and sings it from the top of the piano. Mr. Jagger, without more of a singing voice than (say) his elder brother, gives us spirit as well as notes, and the director sensibly uses him all he can.

Sadler's Wells

Les Sylphides by CLEMENT CRISP

If the masterpieces of the Diaghilev era are to make sense in the theatre today they have to be shown as something more than sacred relics, reverentially displayed to the faithful. They serve *no purpose thus*, other than as dusty reminders of past triumphs. Despite the depredations of time, of producers' memories, of dancers' caprices, these old ballets can be made vital, relevant, if original intentions are respected. *Les Sylphides* is the perfect case in point.

Recently Alicia Markova made a staging for Festival Ballet in which the piece came alive (as it also did in her revival for the Royal Ballet School) because the production went beyond restoration to re-creation. Dame Alicia was handing on Fokine's last thoughts about the work, which she had learned when he coached and rehearsed her in the ballet in New York in 1941. For us, and for Festival Ballet, the important fact was that Markova understood the imaginative world of *Les Sylphides*.

She knew from Fokine what the ballet was "about"; her spiritual sympathy and the appositeness of her own exquisite dance style meant that Fokine's ideals were relived in performance. With broad orchestral tempi the dances could breathe, and so could the music. Fokine's tribute to the age of Taglioni became once again purposeful and real. In the Royal Ballet's School's presentation something else important was also apparent: Markova's own stylistic finesse, the polishing of each incident and pose—so unforgettably a part of her dancing—was communicated to young and inexperienced dancers, and as a result they and the ballet seemed properly poised on the night air of that moonlit glade.

All of which must serve as a stick to belabour the unappealing *Sylphides* which opened Friday night's programme at the Wells. With brisk tempi to set the sylphs scuttling like the White Rabbit, and vinegary string tone; with lighting that favoured the left hand side of the stage and dimmed its ardour elsewhere, and also turned the sylphs' faces into moon-bright discs: with a general feeling from the corps de ballet of dutiful reverence, like people watching a stranger's funeral, this *Sylphides* was deadly dull, and dully dead. A gifted quartet of principals looked lost; so did the ballet. It can only be found again if everyone concerned stops to consider the values implicit in the ballet and in continuing to perform it.

The other Diaghilev revival in the evening fared little better. *La Boutique Fantasque* is no less in need of care, of performances that sympathise with the roles. The dolls must be given Russian verve and Russian intensity. On this occasion the Taratella looked thin, the Cossacks lacked panache, the quartet of cards had no élan. Much of Massine's eccentric details seems to have been smoothed out into conventional balleticisms: in the *galop* which follows the Can-Can dancers' flight the hand positions which mark the dance-rhythm were almost all unidiomatic.

There were good things in the performance: Marion Tait's adorable Can-Can dancer; Alain Dubreuil as her partner, though meriting of a few more volts of Massine's own electricity; John Auld and David Morse as the shopkeeper and his assistant; David Ashmole and David Bintley as the Snob and the Melon Seller. The Russian and American children are still my candidates for the next massacre of the innocents: has no one considered how children behaved in 1865? Naughty, yes; vulgar (a finger poked at a poodle's backside), never! The Royal Ballet owes it to its own reputation, let alone to the ballets in question, to take maximum care of masterpieces which it has apparently chosen to preserve. But better oblivion for them than misrepresentation.

Wigmore Hall

Schwarzkopf

by DAVID MURRAY

The Schwarzkopf voice these days is not a noble ruin, but a frail, evocative instrument which executes in needlepoint what we used to admire in oils. The singer's presentation of her songs is as lively and exact as ever; given a judicious choice of programme, she can still offer rare musical delights. Her extraordinary technical finesse often triumphs over her reduced means, not by way of stimulating the sound that once was, but simply in shaping a Lied with the utmost elegance. On Saturday, suffering from a cold, she transposed two parts of her programme and replaced a sustained Strauss lullaby by a light, whimsical piece ("Muttertändelei" for "Wiegenlied"): the net result was very happy, with few uneasy moments.

In the event she began with Schubert—mostly gentle, reflective songs, rounded off with an inspiriting "An Sylvia." There were no clouded vowel-sounds: was that a mysterious bonus of the cold? "Der Lindenbaum" was a model of unflawed serenity and Geoffrey Parsons — whose playing throughout the recital was really beyond praise—was miraculously delicate with the piano part. In Miss Schwarzkopf's Hugo Wolf group "Mühvoll komm' ich" and "Nachtzauber" had touches of strained portamento, but there was a fine, defiant "Zigeunerin" and a memorable "Wie glänzt der helle Mond," her fragile vocal colour used brilliantly to characterise the other-worldly song.

The rest was familiar party-pieces by Liszt, Grieg and Strauss, offering Mr. Parsons many opportunities to shine. Miss Schwarzkopf pointed the humour of "Hat gesagt" and "Schlechtes Wetter" freshly and brightly and (as often before) made Wolf's "Ich hab' in Penna" an irresistible encore. Here and there a phrase was taken in two breaths where once only one would have been needed; but a small hiatus does not mar a line so surely etched.

*

The names of Norbert Brainin and Peter Schidlof, the leader and the violist of the Amadeus Quartet, are indissolubly linked in many minds and in mine indistinguishably: I must apologise for referring to the former as the latter throughout a notice last week.

Festival Hall

Tortelier

Schumann's Cello Concerto expresses a unique kind of tender yet introspective melancholy. In a performance of the wrong character, one that tries to urge the solo line into a too fiercely driven brilliance of tone and forwardness of rhythm, its special cast of thought is likely to be obscured, its lyrical frailty to seem like a weakness. When Tortelier plays it, with all the affection and soulful warmth he can muster, it becomes one of the composer's most lovable works.

On Thursday the cellist, playing with the Philharmonia under Riccardo Muti, was in wonderful form. In the opening measures, not *all* the notes were *perfectly* in tune; and perhaps under pressure the core of cello tone is less invincibly strong and steady than it used to be. The understanding of the music, on the other hand, has surely never been deeper—the first movement's succession of pliant phrases, each one shaped by a "singing" imagination, and the poetic intensity of the *langsam* middle movement, taught one a basic and essential lesson about the art of Schumann interpretation. Though the rhythmic freedom of Tortelier's playing cannot be an easy thing for an orchestra to match or even to follow, Mr. Muti drew from his orchestra accompaniments that were admirably diligent and fresh-toned.

This noble experience, a performance in a thousand, fell between the chortling high spirits of Rossini's *Silken Ladder* Overture and the ineluctable violence of *The Rite of Spring*—a strange, slightly disconcerting programme combination. In the Rossini, the articulation was crisp and punctilious, the spirit dutiful and rather charmless — there is more "bend" to Rossini's phrases than Mr. Muti is always willing to allow. In the Stravinsky ballet, the position was rather the reverse: no want of lusty enthusiasm, but sometimes a rather imperfect traversal of the notes, and a sonority (especially a brass sonority) forced beyond the necessary degree of rawness. One felt that the reading was nascent rather than mature — long-term cogency tended to be sacrificed to immediate excitements. Of these there were, however, a bounty — and not the least of them was the sight of the timpanist's stick flying through the air.

MAX LOPPERT

Dieter Behlendorf, Ronald Hamilton and Nassrin Azarmi

Grand Theatre, Leeds

Lulu by RONALD CRICHTON

The last new presentation by Dortmund Opera during their week's visit to Leeds was Berg's *Lulu*, given for a single performance on Friday. This opera is not in the present season's repertory. This was a one-off revival of a production new last year: a generous gesture considering the demands of the work. Leeds came out of it well too: there was a decent house (one can see thinner audiences in Germany for important 20th-century operas), closely attentive except for one or two stray bracelet-rattlers and interlude-whisperers of the old type. There seems no reason to fear that the Dortmund visit has mopped up potential customers for ENO North.

This *Lulu* was much more distinctive than the passable but unexciting *Fidelio* earlier in the week. First of all Marek Janowski and the Dortmund orchestra gave a reading of Berg's score notable not only for the extent to which voice parts and words came through a prismatic but treacherous texture which can resemble nothing so much as a hostile jungle, but for the lyricism and overflowing compassion abundantly present but not always so sensitively brought out. When in the Variations and final Adagio the orchestra was able to broaden out, this was done to impressive effect—the third act was given in the fragmentary form with the usual unconvincing miming. With the full, posthumously completed opera promised for Paris in the near future, this may with luck be the last time one will have to settle for the compromise.

"No other music of our time" wrote Adorno "is as human as that of Berg, and it frightens people." Great art does that, when it tells the truth. But a greater difficulty with *Lulu* for an English audience lies in the text—two savage plays by Wedekind boiled down into one by Berg himself. The mixture of macabre sexual comedy shading off into black farce yet ultimately serious and full of pity is terribly hard to get over. Paul Hager's production managed on the whole to create an atmosphere in which such a mixture was credible—one can't reasonably expect one regional opera company in a part of Germany fairly littered with subsidised theatres to be full of major personalities. The general lines were sound, though two at least of the peculiar minor characters (the mysterious Schigolch and the athlete Rodrigo) were crudely caricatured.

The sets (Lore Haas and Hans Schavernoch) were not confined to the circus-tent solution suggested though not imposed by the ringmaster's prologue; a solution which can lead to cramped spaces and increased confusion. The full stage was used for the two scenes in Dr. Schön's house, with for once enough room for the comings and goings, hidings and discoveries. Conductor and producer were lucky in their Lulu. The Iranian soprano Nassrin Azarmi is a member of the Deutsche Oper am Rhein and the Royal Opera in Teheran. She is beautiful as all Lulus ought to be but not invariably are, she moves with animal suppleness and she is also a supple, warm-toned, sensitive singer. The voice is not particularly strong, and is not really the type of high soprano required by the music. Some coloratura flights were sketchy and towards the end of the evening one or two high notes hardened, but there was little trace of the screechiness with which many Lulus damage such physical impression as they make. Miss Azarmi won and kept sympathy.

There was a carefully finished, rather small-scale Dr. Schön from Dieter Behlendorf. As Schön's son, Alwa, Ronald Hamilton held his voice in reserve for Alwa's last big scene with Lulu and made this one of the best things in the performance—the outburst in question is shattered by Lulu's innocent inquiry as to whether the divan on which they are lying is the one on which Alwa's father bled to death after she had shot him. Another singer who held back to some effect was Elisabeth Glauser as the adoring Countess Geschwitz: Miss Glauser shaped the opera's closing bars finely, with unexpected but beautifully executed portamentos.

Whatever one might think of Rodrigo's make-up, Andreas Becker sang him strongly. Franz-Josef Kapellmann, a useful artist, showed his versatility as the animal tamer and other minor characters. The love-lorn student of Vera Banlewisz was funnier than most. Peter Jagasich sang the ungrateful high tenor role of the painter. To make up for the deficiencies of the local programme (of what used to be called the "magazine" type) the visitors thoughtfully provided hand-outs with their own documentation—a useful gesture even if meaning was sometimes obscured by mists of translation.

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The fault is at home

THERE IS something fundamentally wrong with the British Government's approach to the question of car imports from Japan. The original justification for the voluntary restraint agreements limiting the Japanese share of the British market was that they would help the British industry which was supposed to be going through a period of restructuring. As Mr. Edmund Dell, the Trade Secretary, remarked when the present agreement was concluded last March: "I very much hope that British manufacturers, particularly British Leyland, will be able to take advantage of the greater degree of certainty which I believe the Japanese assurances give them." In other words, the British car companies could plan their output in the knowledge that Japanese competition would be limited.

It was also implicit from the start that the restraint agreements would be temporary. After all, when the restructuring of the British industry was complete, there would be no need for it to be protected.

Output down

Six months after the present agreement was reached, it is perfectly clear that the strategy is not working. This is a boom year for car sales in this country. It is quite possible that the all-time record, set in 1973, of sales of 1.66m vehicles will be equalled, if not surpassed. Yet the British share of the market has continued steadily to fall. In the first eight months of the year imports accounted for 48.38 per cent of the market. In the corresponding period of 1977 they accounted for 44.50 per cent. In August alone—the month in which the new registration plates are introduced—the import share was nearly 54 per cent against under 51 per cent in August last year.

The message from those figures is quite plain. It is that the British industry cannot take advantage of a buoyant market even when the boom is on its own doorstep and even when the industry is partially protected. What is worse, given the most favourable possible conditions, the industry cannot even keep pace. At the very time when the market was further expanding, British output was actually dropping. According to statistics from the Department of Industry, production in the period June to August was down by 13 per cent on the previous three months.

There is no way in which this situation can be fairly blamed on the Japanese — or indeed on any other foreigners. The fact is that British people buy foreign cars because they like them and because they are available. Even when there might be a first disposition to buy British, too often the British model cannot be immediately supplied. As for the Japanese producers, they may have pushed this year's restraint agreement to the limit, but they are right to complain that the principal beneficiaries of the restraint agreements have been not the British car companies, but the Europeans. The Japanese share of the British market in the first eight months of this year was just over 11 per cent; imports from the European Community, however, accounted for 33.5 per cent against 32.3 per cent in the corresponding period of 1977. There seems every reason to believe that if Japanese cars are kept out, more European cars will come in.

Failed

It is therefore disturbing to hear the Government talking not only of new threats to Japan this year, but also of a further and perhaps stricter restraint agreement for 1979. The rationale for the agreements was that the British industry could be nursed back to health during a period of protectionism. It is a cure that has demonstrable failed and it is a strange logic that now prescribes more of the same. That is the trouble with protectionism of all kinds: it is very difficult to get rid of, even when it is visibly doing no good.

Wage norms and productivity

THE RIGID wage norm which the Prime Minister defended before his National Executive Committee with what will be seen as dogged courage or blind obstinacy, according to taste, is not so much a considered policy as a fairly desperate expedient. There is a danger that this is being forgotten in the struggle to prevent a total collapse of restraint. The drawbacks of the 5 per cent formula for this year therefore deserve discussion. Five per cent is a reasonable starting point if the hope is to secure wider support for a better formula, but it makes poor dogma.

Satisfaction

When the third stage of restraint was launched, more than 18 months ago, Ministers were well aware of the dangers of rigidity: the 10 per cent formula which emerged was admitted as a poor second best, for lack of the co-operation from the TUC which was essential to make flexibility within restraint a practical possibility. It now seems that Ministers may have allowed the apparent success of the 10 per cent policy, in reducing inflation while apparently encouraging productivity, to obscure its dangers—just as Treasury satisfaction with the results of threatened official sanctions has led to louder threats this year. If the combination of norm and threat makes everyone think about productivity at a time of rapid potential growth, the results will triumphantly justify the policy; the only official doubts seem to be whether the policy can be made to stick.

A potentially dangerous fault in this reasoning is put forward in the generally encouraging survey of the short-term prospects published by the CBI today. The prospects for growth indeed seem much improved, with both home and export orders recovering; and until very recently member companies were fairly encouraged about the wage prospect, especially since large and genuine gains in productivity seemed achievable. However, as the CBI points out in its commentary, productivity bargains struck in these circumstances could be struck at the expense of the normal cyclical recovery of profits—the necessary source of finance for sustained growth.

Wage bargains reflecting a large cyclical rise in productivity also carry two other dangers. First, they may arouse expectations which cannot be satisfied in a non-inflationary way when the cyclical slack is taken up. Second, wage rises concentrated in the growth sectors will certainly generate growing and troublesome pay anomalies, as public sector unions are already aware.

In the long term, this question of differentials is the most worrying. If it can be hoped that freedom from pressing balance of payments constraints will enable growth to be better sustained than for more than a decade past, then these anomalies will become more marked. If in addition growth coupled with competition within the European market encourages some progress towards European efficiency levels—again, a hope which policy-makers must hold dear—then the gaps would become still wider.

Where some sectors of the economy gain efficiency much more rapidly than others, the result quite normally drives up the cost of living. In Japan during its most dynamic period manufacturing output prices were completely stable for a decade. However, service industries had to compete with manufacturers for labour, and could not recoup the cost. As a result the cost of living rose by between 5 and 7 per cent annually.

More flexible

A durable incomes policy must therefore aim to balance the incentives for efficiency against the claims of comparability: and it must also aim to ensure that the returns on capital, which vary strongly with the business cycle, are not unduly cramped. This would suggest a more flexible norm and a more suspicious eye on productivity deals than are contained in the present policy. The absurd size of the claims lodged against Ford and other employers underline the necessity for some form of restraint and the likelihood of some sharp clashes. The Prime Minister can therefore appeal to plain common sense for support of his general objectives. But though the objectives—sensible bargaining aimed at stable manufacturing prices—deserve general backing, the present formula should not be sacred.

Headstart for Japan in trade with China

BY CHARLES SMITH, Far East Editor

AFTER 26 years of false starts and disappointed expectations it looks as if 1978 may become the year in which China and Japan laid the foundations for a mutually satisfactory trade relationship. They signed a two-way trade agreement in February which for the first time committed Japan to long-term purchases of Chinese oil. More recently the Japanese Minister of International Trade and Industry, Mr. Toshio Komoto, visited Peking to discuss a possible extension of that agreement.

Optimists in the Japanese business world see the Chinese market as one possible answer to the dilemma of how to expand their international trade in an era of protectionism. But there are doubts about how far Peking wishes to become economically dependent on Tokyo, as indicated in the following series of questions and answers about Chinese-Japanese trade prospects.

How much is Japan-China trade actually likely to grow over the next decade?

The Japanese themselves claim not to know the answer to this question, in spite of having signed a seemingly water-tight trade agreement with China which calls for a two-way exchange of $20bn worth of goods over the next eight years. One problem is that the two-way agreement—signed early this year between two committees—lays down precise values and quantities of goods to be exchanged only for the first five years. The amounts of goods to be exchanged in the three years from 1983 to 1985 are to be decided in 1981 at the latest and could take the total amount of trade well above the $20bn level.

The other problem is that no clear distinction has been established between trade to be conducted under the long-term agreement and "ordinary" Sino-Japanese trade. China can decide whether to classify specific import contracts with Japan as coming within the terms of the agreement. Otherwise they can be classed as "ordinary trade." This means that, while $20bn worth of trade is certain to be done between China and Japan over the next eight years within the terms of the agreement, an additional unforeseeable quantity of trade will be done outside the agreement. At a rough guess Japanese officials think that two-way trade might double from its 1977 level of $3.5bn (in both directions together) to reach $7bn or so by 1980.

Has anything happened since the agreement was signed in February to indicate how China wants to conduct its trade relations with Japan?

A great deal has happened, all pointing to the conclusion that the Chinese leadership for the time being at any rate is anxious to deepen and extend the relationship. China has started negotiations with Japan on purchases of about $15bn worth of industrial plant (including two steel mills, a television tube plant, an integrated circuit plant, an aluminium refinery, and many others) despite the fact that the agreement calls for the purchase of only $7bn-$8bn of Japanese industrial plant over the next five years.

On the export side things seem to be moving quickly as well. China wants Japan to participate directly in the development of oil deposits in the Gulf of Pohai, south-east of Peking. If this joint development project is implemented, and if the offshore oil reserve comes up to expectations, China may be in a position to step-up oil shipments to Japan to levels far beyond the figure of 15m tonnes laid down in the two-way agreement as the target for 1983.

Does Japan really want all this additional Chinese oil?

The Japanese oil refining industry definitely does not want it. Chinese oil contains a low proportion of gasoline and kerosene—two of the products in which refiners are interested—and cannot be processed easily at existing Japanese plants.

The Government, partly because of pressure from the steel industry which wants to increase sales to China and sees oil as the best way to balance the trade account, is determined to step up imports notwithstanding.

International Trade Minister Toshio Komoto: visit to Peking

It will probably solve the problem by building a specialised cracking facility as a "national project" in which government money will be heavily involved. The actual work will be done by the private sector. The plant is likely to have a capacity of 26m tonnes per annum.

Is China insisting on balanced trade with Japan or is it prepared to run a deficit?

The two-way agreement calls for an equal exchange of $10bn worth of goods in each direction. However trade which comes outside the agreement will not necessarily be balanced, and even "agreement" trade may be temporarily in Japan's favour during the first three or so of the eight years. The probability that China will buy more (perhaps much more) from Japan than it is able to sell during the period up to 1981 or so leads to one obvious consequence: Japanese exports will have to be sold on a deferred payment basis or covered by loans.

China prefers the deferred payment formula, but wants lower interest rates than those permitted by the existing OECD gentleman's agreement on export financing. (The minimum rate under the agreement is 7.5 per cent for developing countries like China.) Japan will probably be forced to abide by the OECD agreement but may find a way to compensate China, maybe by making advance payments for oil imports. The OECD rules do not apply to other kinds of loans which Japan might make to China—for example, loans from the Export-Import bank to finance oil development in the Gulf of Pohai.

How will the increase in Japan-China trade affect the overall pattern of Japan's trade?

Two-way trade with China accounted for only 3.5 per cent of total Japanese trade last year and was worth less than trade with Taiwan. There is a long way to go before the China market begins to loom large in the Japanese export picture. According to the Japan External Trade Organisation (Jetro) China could conceivably account for 10 per cent of Japan's total trade by the mid-1990s but this would still be less than half the U.S. share.

The reason why China matters as a trading partner for Japan is that it offers a very important market for the products of one or two major industries.

China is the number two market for Japanese steel, after the U.S. (though it buys at prices some 20 per cent below the world level). This year it may sign enough plant contracts to make the difference between a dismal and a highly successful year for the Plant Exporters' Association.

It is Japanese policy to step up plant exports as a substitute for collapsing exports of ships (the same heavy industry combines are often involved in both businesses). Hence the Chinese market for industrial plant matters a lot. Steel exports matter because the industry happens to have an exceptional amount of political influence.

Will the yen revaluation have much effect on Japan's exports to China?

Japanese exports to China are normally denominated in yen, so that the impact of revaluation will be felt on the Chinese side. Since the yen started rising China has broken off negotiations with Japan on at least one substantial plant contract (for a polyester factory which may now be bought in Germany). However, Japanese plant exporters seem to be cutting their yen prices to compensate for revaluation. Japanese steel exports to China will be unaffected by revaluation because they are already being sold at rock bottom prices and because potential competitors — in western Europe—are burdened by high freight rates.

What does the prospective boom in Japan-China trade mean for China's other trade partners, notably western Europe?

The Japanese are being coy about this. The official line is that China's new growth-oriented economic policies should provide plenty of opportunities for everyone. In private officials admit that Japan probably has an edge over its European and American rivals. So far no other country has managed to sign a long term trade agreement with China laying down specific quantities of goods to be exchanged. The EEC-China trade agreement signed early this year did no more than establish a general framework for the expansion of trade, and Japanese observers doubt whether the EEC Commission has the power or authority to negotiate a concrete trade agreement on behalf of member countries.

Apart from the advantages conferred by the agreement, Japan believes it is the only major country likely to be able to absorb large amounts of Chinese oil. The Chinese are also exporting oil to a handful of South-East Asian countries (such as the Philippines), but the prospects for substantial exports to the U.S. or western Europe seem remote in the extreme. Since China likes to maintain an approximate bilateral balance, at least over the long term, with individual trading partners, the ability to purchase Chinese oil equals the ability to sell manufactured goods to China.

Japan also expects to benefit from the signing, last August, of the long awaited Sino-Japanese Treaty of Peace and Friendship. It contains a clause specifically calling for the expansion of economic relations between the two countries which the Japanese are determined not to let the Chinese forget. The odds are that, with all these advantages, Japan will manage to increase its share of China's foreign trade from the existing level of around 25 per cent to well over 30 per cent in the early 1980s.

China has shown no sign as yet of being concerned about the prospect of becoming over-reliant on Japan. But it is assumed in Tokyo that there must be a limit somewhere to the expansion of Japan's share in Chinese trade. A political consideration which must loom large in Peking is the need to keep on good terms with western Europeans so as to offset Soviet influence. This could oblige China to keep on steering contracts towards Europe.

Do the Japanese expect their luck in China to continue indefinitely or do they foresee a reaction to the present plant-buying spree and a return to more introverted trading policies in China?

Some reaction is regarded as inevitable, if only because the rapid pace at which the Chinese will be commissioning new plants over the next few years will place strains on China's domestic (as well as its foreign) resources. Having admitted so much the Japanese are inclined to cross their fingers and say they do not expect a massive political reaction of the kind which followed China's wholesale adoption of Soviet plant in the 1950s or of European plants in the early 1960s (when the sequel was the Great Proletarian Cultural Revolution).

The Japanese think China is more committed than at any time in the past to the policy of "using the foreigner" to help develop the economy. This could mean, in time, that transfers of technology and subcontracting relationships between Chinese and foreign enterprises could become as important, or more important, than sales to China of complete plant.

JAPANESE INDUSTRIAL PLANT FOR CHINA

EXPORTER	TYPE OF PLANT	VALUE (yen)	STAGE REACHED
Kuroda Chemical Construction with Mitsui and Co.	Natural gas processing equipment	5 bn	Contract November 1977
Kuraray	Synthetic leather plant	7 bn	Contract May 1978 (first under trade pact)
Nihon Kihatsuyu with Marubeni Corp.	Ethylene plant	25 bn	Contract July 1978
Hitachi	Colour TV tube plant	30 bn	Contract July 1978
Toshiba	Integrated circuit assembly plant	10 bn	Contract July 1978
Asahi Glass	Plant to make bulbs for TV tubes	12 bn	Contract July 1978
Tohen with Nihon Kihatsuyu	Synthetic alcohol plant	7 bn	Lost to W. Germany, yen revaluation
Mitsubishi Petrochemical with Mitsubishi Corp.	High-pressure polyethylene plant	15 bn	Lost to W. Germany, yen revaluation
Kawasaki Heavy Industries or Ishikawajima H.I. or Mitsubishi H.I.	Cement plant	40 bn	Under tender
Sumitomo Metal	Seamless pipe plant (for Shanghai steel works)	100 bn	Under tender
Nippon Steel (and others)	Shanghai integrated steel plant, 3m tonnes capacity	600 bn	"Final decision" April or May 1979
Nippon Steel (and others)	Repair and extend four steel plants	n.a.	Preliminary enquiry
Toyobo or Kanebo	Two polymerisation plants, 180,000 & 530,000 tons capacity	199 bn	Preliminary enquiry

MEN AND MATTERS

Recipe for confusion

There were some flutters of fury last week at the news that the police are putting video cameras in the occasional suspect pub. Add to that the report that there was a bug on the line of the editor of The Economist, Andrew Knight, and some might conclude that the "police state" is advancing fast.

However, a crumb of comfort for this Monday morning. Knight may have written "Would the gentleman from the Russian embassy, the moon or the home office please go away?" But none, it transpires, are guilty. Instead one has to introduce an intriguing "Italian connection."

The connection, James Hazan, suddenly appeared on the scene yesterday, demanding irately what all the fuss was about. The fuss, you may recall, started last Wednesday when Knight's wife, Sabiha, was trying to talk on the telephone with Paolo Ribero, an Italian chef. Redialling she was connected to a recording of the conversation she had just made.

Hell hath no fury like a woman bugged. She contacted her husband on a neighbour's telephone to summon up the power of the Press. Knight's description of the incident in Saturday's Economist—together with the dropping of dinner-guest names such as the prime minister, home secretary, Denis Healey and the governor of the Bank of England—fairly stirred the pot.

The Post Office said it was dumbfounded and gave Ribero a new phone. The Home Office was likewise thunderstruck. Mark Elwes, director of the Telephone Users' Association, demanded a major investigation. Citizens shuddered: if Knight was a threat to state security, then who should escape tapping?

But Hazan, also Italian-born, explains that while trying to make a call on his erratic phone he got a crossed line—into the conversation between Mrs. Knight and Ribero. Being a keen cook and hearing them discuss a recipe, he tape-recorded it. The conversation over, he played the recording back. Mrs. Knight's call back to Ribero crossed back on to Hazan's still-open line—and she heard the recording.

All this is technically feasible—and experts could test to prove that Hazan's recording is from an acoustic feed rather than from a direct tap—so there is a possible explanation for the storm in the wiretap. But Hazan, who makes shoes for show business, tells me he is unhappy: "Everybody has been jumping up and down because the editor of The Economist is an important man. In two days Mr. Ribero gets a new phone. I—Mr. Nobody Hazan—have been trying for a year to have something done about my phone and nobody listens. Is this fair?" The Post Office, it seems, is not yet off the hook.

Nosing noise out

Night noise patrols are becoming an increasingly prevalent feature of many London boroughs, yet hardly anyone has noticed. They tend to prowl, on the basis that discretion is the better part of control. "The reason? Too many people have been up-and-smiling them. We know of five assaults on inspectors in one borough," I was told by Haringey council.

Brent says that its problems are similar: "There is an element of presumed danger," says Bob Govett, the council's chief environmental health inspector. He tells me that their scouts mainly go out at weekends and that when they hear the strains of cacophony they merely note the address. The Council's peace-keeping force does not move in until the hours of daylight—in the shape of a visit to find out the reason for the noise.

"One-off celebrations" do not worry the council: "We are all guilty of silver weddings," says Govett, adding that his advice is often on the lines of inviting the neighbours too next time. But those more addicted to drumming out the decibels find themselves served a notice, with prosecution possible under the 1974 pollution act.

As for the other London councils, Labour-dominated ones appear to believe in sending out patrols: but when I rang up Tory Westminster I was told that it prefers for its men to sit at home and wait for complaints.

"Shall we begin with one-minute's silence for Stage Four?"

A quiet life

Some 40 companies are interested in buying old Kensington Town Hall and its disposal might not seem a problem. But it is not only a matter of money. Ian Doolan, valuer for Kensington and Chelsea, tells me all he wants is "£5m, and for a quiet life someone who will keep it as it is."

He finds the hall undistinguished but says the quiet life would be disturbed by actually knocking it down: "Ask nine out of 10 people what they want and they would probably say 'keep it'. They are afraid of something worse, but I would have imagined an architect could come up with something better than what is there."

Representing those nine out of 10, Gay Christiansen, secretary of the Kensington Society, says that "you could tidy the place up so much and I am sure we shall never build in stone again." Her worry is that if the hall comes down so will neighbouring buildings.

The old Vestry, next door, dating from 1852 and listed, has already been leased to the National Bank of Iran, its freshly-pointed facade now looking distinctly oriental. Perhaps another Middle Eastern bank can be persuaded to preserve Victorian appearances?

The stuff of fame

What constitutes fame in 1978? The following conversation I recently overheard in a bar is perhaps enlightening:

—"Are you coming to our meeting next week? We've got a famous guest speaker."

—"Oh really? Who?"

—"Margaret Powell"

—"Margaret Powell?"

—"Yes, you must know her. She's the one who does the Paxo chicken stuffing adverts."

Observer

FINANCIAL TIMES SURVEY

Monday October 2 1978

The Philippines

Most of the grandiose aims of President Marcos' martial law regime remain unfulfilled because of a variety of political and economic factors. Among them are the cost of the war in the southern island of Mindanao and the collapse in the prices of the country's major exports.

Some errors of judgment

By David Housego Asia Correspondent

HE DANGER of seizing absoıte power is of one day being alled upon to account for how ou used it. President Marcos ad already been elected Presient of the Philippines for even years when in 1972 he nposed martial law to curb the rowing violence in the country nd to forestall any other chalngers to his office. In return r a temporary loss of freedom promised Filipinos law and der and more of the material lvantages of life.

Since then he has spelt out s general ideals for the delopment of the country under e banner of his New Society ogramme. More precisely, he t ambitious targets last year a new Five Year Plan, and en in a plan for the Philipnes until the year 2000, on at his countrymen could look forward to in terms of growing incomes, new jobs, larger welfare programmes and more widely distributed wealth. But he is now at the stage of facing growing restlessness at the loss of freedom and of impatience for tangible economic returns.

In two of the initial years since the declaration of martial law, good fortune was on the side of President Marcos, with commodity prices booming and a sharp increase in the volume of domestic and foreign investment. After that came the blow of the increase in oil prices cutting a swathe out of the foreign exchange earnings of an economy that imports over 90 per cent of its fuel requirements. There followed the collapse of sugar and copper prices — two of the country's major exports —and the adverse repercussions on the import bill and on domestic prices of high international inflation.

This year the regime has again been caught off balance by the disappointing failure of export earnings to rise in the first seven months—against a projected annual increase of 18 per cent—just at a time when the debt service burden is growing uncomfortably large. As a result of these setbacks there has probably been some increase in real wages in the countryside since martial law—in part made possible by a large movement of people from the land—but a decline in real wages in the towns. Thus the dream of the New Society that President Marcos held out has slipped a little further down the rainbow.

In such a happy-go-lucky land as the Philippines, where the high rate of population growth and the severe shortage of jobs in any case encourages people to savour what blessings they have, President Marcos' failure to deliver on the expectations he aroused does not politically do him too much damage. One of his great strengths—as that of his wife and First Lady Mrs. Imelda Marcos—is that in contrast to the dreariness of poverty, they articulate fantasies of wealth and stylish living. President Marcos was a handsome Second World War hero and Imelda a beauty queen. Metro-Manila (the very name of the capital has echoes of Hollywood) is in many ways a film set presided over by a film star couple. There they have played host to the IMF-World Bank meeting, human rights congresses, the world chess tournament, Dame Margot Fonteyn and Rudolph Nureyev, and they will soon welcome Princess Margaret and next May will host the major UNCTAD 5 conference on relations between poor and rich countries. In the slums of Manila's back streets there is resentment but also envy and admiration.

Strengths

Beyond this sense of theatre, President Marcos has many other strengths. He attracts enormous loyalty from Ministers and senior officials, who are of a calibre that would do credit to any government. Under their guidance the Philippines has weathered surprisingly well the post-1975 recession, largely through borrowing heavily abroad to keep up investment and growth. The average 5-6 per cent growth in GNP of recent years is a notch above that of the 1960s—though not enough above the growth rate of population to provide much extra wealth to hand round. The regime has followed a sensible monetary and fiscal policy that has brought inflation down and accolades of praise from the IMF. At the end of this year the Philippines will be the first country to complete a three-year Extended Fund Facility borrowing programme, which both sides describe as a success in spite of the tough "conditionality" clauses.

President Marcos has provided stability for foreign and domestic investors. He has much enlarged the Government's infrastructure programme—though there has been a good deal of wasteful expenditure on prestige projects in addition to the much needed extension of the road and electric power networks. He has largely won the confidence of the business community, who have prospered under martial law in a way that the freebooting democracy before made impossible. He has probably struck down once and for all the oligarchs who formerly ran the provinces with their private armies.

But the difficulties of showing results grow greater the longer that international trading conditions run against the Philippines. It is also difficult while the regime is running a costly and protracted war in the Southern Philippines with Moslem insurgents who are tying up over half of the much expanded army. The campaign to eradicate the Moro National Liberation Front and its demands for autonomy is an enormous strain on the Treasury. Almost the only piece of good luck that President Marcos has had recently has been the discovery of offshore oil—though this will take time to make an impact on the balance of payments because of the fast cost recovery allowed the oil companies.

Resentment

The shock of the campaign leading up to the April 7 general election was that it revealed that resentment against President Marcos' regime was deeper than he or his opponents thought. This emerged most clearly in Manila, but it was also evident in many of the provinces, such as Negros Occidental—a sugar growing island now in the grips of economic depression. The support shown for the Opposition Laban (Fight) Party was a personal blow to Mr. Marcos because he is one of those dictators who genuinely likes to be liked—unlike the Shah of Iran (there are several uncomfortable comparisons between his regime and that of Mr. Marcos) who expects to be loved for the good he has done.

Mr. Marcos is now committed to further liberalisation. He is under pressure both domestically and from the U.S. to relax the harsher aspects of martial law. The U.S. has leverage over him because of Mr. Marcos' continuing need for American aid. But he is also in the dilemma that the army is nervous of any lifting of martial law or further experiments with democracy that could weaken their authority. In this they have some support from the business community, which was also uneasy during the election at the potential opening of such a Pandora's box.

Since he imposed martial law, Mr. Marcos has successfully balanced his sense of theatre with a firm grip on the realities of power. The surprising development this year has been the number of bad political mistakes he has made, raising queries of whether he has lost his touch or whether — behind the walls of the Malacanang Palace—he is getting increasingly out of touch. A major blunder was in allowing himself to be manoeuvred in the election into a situation in which his own reputation was on the line because of a straight fight in Manila between his wife and his long-standing opponent Senator Benigno Aquino. He was also caught off balance by the scandal over commissions paid to Westinghouse on a nuclear power contract by a company belonging to a close friend and a more distant relative. The scandal had domestic repercussions because the business community is getting tired of the extent to which the Marcos interests muscle in on profitable operations.

But above all he has aroused needless controversy by his decision to announce that the deputy Prime Minister would be his successor and then allow a campaign to snowball under which Mrs. Marcos is being "pushed" into the deputy Premiership.

Talent

Undoubtedly Mrs. Marcos is a woman of great talent and increasing power. She is now First Lady, Governor of Metro Manila and most recently Minister for Human Settlements. As such she is shaping an embryo shadow cabinet that stretches into other departments. Mrs. Marcos has that simplistic approach of the lady bountiful towards social and economic problems that reduces slum clearance, for instance, to the removing of poverty from sight and building a cluster of smart new houses. On the walls of the Technological Resources Centre (a sort of Think Tank) within her Human Settlements Ministry is a characteristic slogan: "The womb that nurtures man is the community. As communities grow into settlements, man finds his place and pursues his own growth." Either as exhortation or as a guide to political action it is evangelical cant.

The possibility that Mrs. Marcos might take over in a sort of dynastic succession is unsettling to the army. It worries the business community. It is resented by some of the senior ministers who are flagging in energy. Mr. Marcos has not reshuffled his cabinet since martial law and there are signs that some members feel they need a change or recognise that they are becoming too committed to ideas they promoted long ago—though Mr. Paterno, the Industry Minister, is unnecessarily sticking to the protective stance he took towards import substitution industries in their early days.

Whether or not Mrs. Marcos is handed the deputy premiership and the succession is still in doubt. The decision is certainly the most important political question immediately facing the Philippines. At the moment the "legal" opposition to President Marcos is dispirited and fragmented because they see no chance of challenging him in another election for many years. The appointment of Mrs. Marcos as the President's successor would certainly be an unexpected windfall, possibly paving the way for new political groupings in Philippine life.

THE PHILIPPINES II

Experimenting with democracy

President Marcos and his son Ferdinand, Jr. cast their votes in last December's referendum.

PRESIDENT MARCOS made the most of the occasion. When he opened the new Interim National Assembly on June 12—the first elected assembly since martial law was declared in 1972—he described it as making a formal shift from "authoritarianism to liberalism" adding that he was defying the trend of history which claims "the irreversibility of the drift towards authoritarianism and centralism."

In practice, of course, Mr. Marcos has yet to demonstrate how committed a liberal he is. He is having as much difficulty as any dictator in striking the right balance between reforms and preventing a threat to his authority when lifting the lid after a long period of repression. It came as a big shock to him to find during the campaign that led up to the April 7 election for the Assembly that his regime was a lot less popular—certainly in Metro Manila—than he had thought.

He would like to see the Assembly develop into an effective legislative body that would provide the constitutional stability so far lacking in his martial law regime. But he is wary of it getting out of hand. In retaining virtually all his powers as President and in keeping the Assembly on a tight leash, he is drawing the teeth from any criticism that might emerge. Political life may have begun to stir again in the Philippines, but it is still weak-blooded and lives on sufferance.

The elections were Mr. Marcos' first experiment in democracy since martial law and he thought he had prepared the ground well. He has long been under pressure from the United States to give some popular legitimacy to his martial law regime. He also saw the need himself to take some steps towards reinvigorating the constitution as part of his long promised return to "normalisation." In December last year he called the fifth referendum since seizing power under martial law to ask whether people would be happy to see him become Prime Minister as well as President. An official result of 89 per cent in favour boded well for going ahead with a general election.

Two factors interfered with this planning. The first was the decision of his long-standing foe, Senator Benigno Aquino, to offer himself as an opposition candidate for Metro-Manila while still in prison and the decision of President Marcos to allow him. In November Senator Aquino had been condemned to death by a military tribunal on charges of subversion and murder but had been allowed to appeal after an international outcry against the sentence. Appearing on television as head of the opposition Laban (Fight) party he aroused great sympathy by his attack on martial law—the more effective for seemingly being made without been undermined.

The second factor was that the President allowed his wife Imelda to head the Government list of candidates in Metro Manila thus putting his family's reputation on the line in a direct fight with Mr. Aquino and the Laban party. Several former antagonists of President Marcos—including Mr. Salvador Lopez, the former President of the University of the Philippines and former President Macapagal—had decided to stay out of the election on the grounds that the results would be rigged. But as it turned out the Laban candidates in Metro Manila—the only region in which there was any real contest—put up an unexpectedly successful campaign by playing on popular hostility to martial law, corruption, the wealth of the Marcos family (and Mrs. Marcos in particular) and police brutality.

Laban had a brief moment of triumph on the eve of the election when car horns in Manila sounded a noisy protest against President Marcos' regime. The official results, however, gave total victory to the 21 Government New Society candidates in Manila, headed by Mrs. Marcos and a landslide elsewhere. No doubt the New Society movement would have won a majority in a free poll but so blatant was the fraudulent switching of votes that Opposition protests received much support from the Church—and both Vice-President Mondale of the United States and a section of the American Congress told President Marcos that the credibility of the election had been undermined.

Though Mr. Marcos bluffed his way through these protests the strength of the opposition campaign came as a nasty jolt to the army which sharpened its resolve to resist lifting of martial law. Curbs on freedom of speech which had been removed during the 45 day campaign were reimposed. Over 500 people were arrested following a protest demonstration in Manila at the rigging of the results—a deliberate assertion of the iron glove to show that the regime had not lost its nerve though almost all those arrested were subsequently released. Mr Marcos put off the local elections he had promised—partly for fear of the outcome and partly to stifle the scramble for patronage among his own followers which had occurred in nominations for the New Society ticket and which echoed one of the worst features of pre-martial law politics.

The official purpose of the interim Assembly is to prepare the way for elections to a permanent body, though in his opening speech to it Mr. Marcos said it would be unrealistic to think the Assembly could complete this work "in one or two years." Almost all the 165 elected members to the interim Assembly are members of the New Society movement and the other 28 members have been appointed by President Marcos. As Prime Minister, Mr. Marcos picks his own Cabinet and as President can veto any law.

But though the Assembly is largely a "rubber stamp" organisation, this crude description is too simplistic. June 11—the day before the Assembly met and the last day on which Mr. Marcos could legislate by decree—has come to be known popularly in Manila as "the longest day." This is because of the number of decrees that Mr. Marcos has produced since then and alleged that he signed on that day. The element of seriousness in this farce is that it demonstrates the hassle that both he and his ministers now find in putting measures through the Assembly which formerly they avoided in announcing them by decree. Members of the Assembly, in other words, have begun to query and question in a manner that ministers find time-absorbing. They also lobby for jobs or for the location of new projects in their districts—thus taking on the role of ombudsmen for their constituents in a way reminiscent of the pre-martial law Congress.

Apart from calling the election and establishing the assembly, Mr. Marcos has also made other concessions—however reluctantly. He has declared that the military tribunals—one of the most hated aspects of his martial law regime—will be closed down. Several hundred prisoners have been amnestied though there are doubts as to how many of these were political. In an attempt at national reconciliation after the divisiveness of the election, he approached Senator Lorenzo Tanada, the 80-year-old lawyer, who has been counsel to Mr. Aquino and was one of the leaders of the Laban party, and asked him to propose names of those who should be pardoned. There are some signs that the restrictions on collective bargaining might be relaxed and that what are euphemistically called "economic strikes" might be allowed. More of those considered politically suspect are being permitted to travel.

As against this partial opening up, traditions of subservience to authority and sycophancy remain strong. The petition calling on Mrs. Marcos to take up the post of Deputy Premier and hence successor to Mr. Marcos was signed by 160 members of the Assembly or virtually all those belonging to the New Society Movement. This is in spite of many members privately voicing their hostility to such a move and their belief that it would undermine national unity by being strongly opposed within the army and the business community. Mrs. Marcos is also far more authoritarian by instinct than her husband and likely to be far less tolerant of criticism from within the Assembly.

The opposition has failed to follow up its success in the election campaign. Of the 21 Laban members who stood in Manila, five have since escaped or gone underground. This reflects both fears of the consequences of standing up to Mr. Marcos' regime and the belief that in the absence of real open debate they can most effectively continue their campaign either from a foreign sanctuary or by joining those preaching violence.

Permitted opposition groups remain fragmented and overawed by President Marcos's skill as a politician. There is no real common ground between the members of the old Liberal Party—politicians of a generation ago who did electoral battle with Mr. Marcos in the 1960s—and the young who were drawn into support of the Laban campaign.

Laban really represented an ad hoc alliance of those who thought it worthwhile challenging Mr. Marcos during the elections and which has disintegrated since.

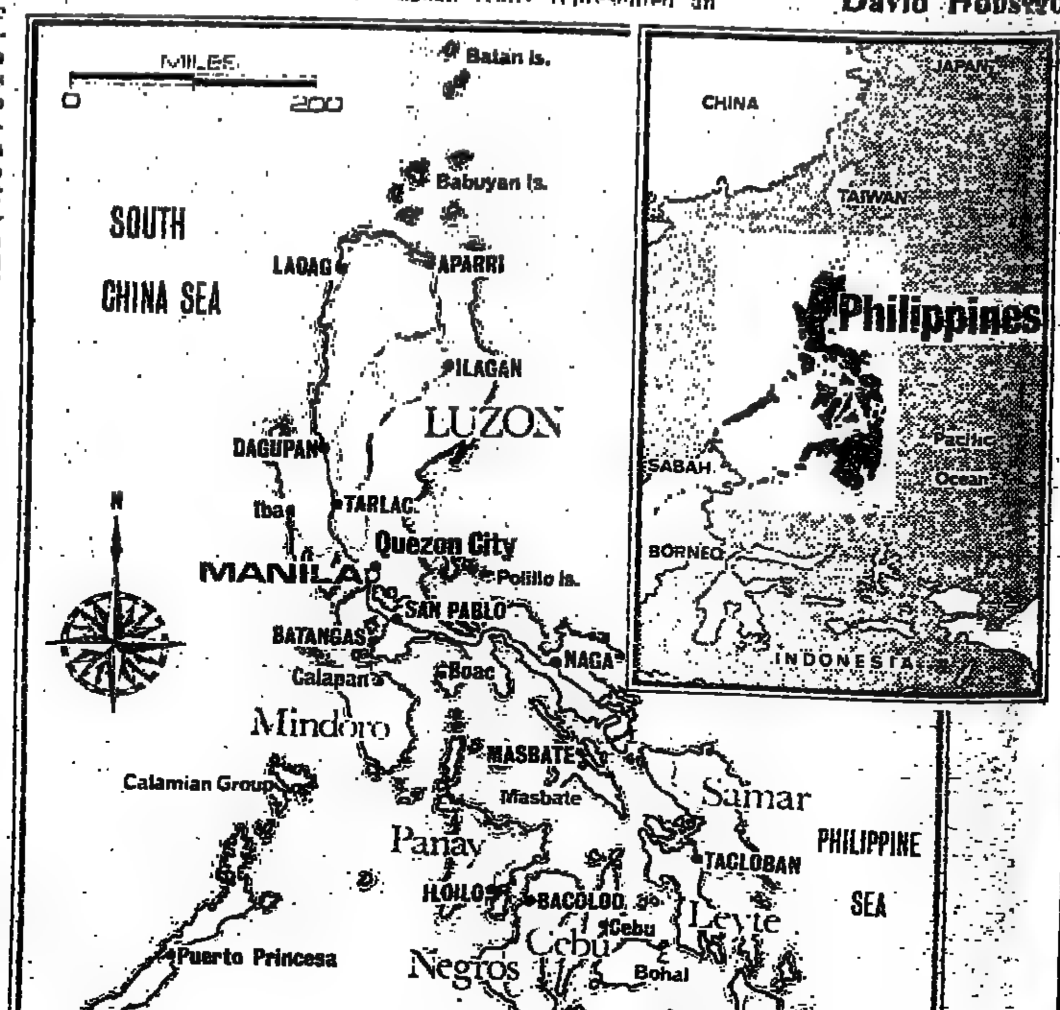
What does remain to haunt Mr. Marcos is the figure of Senator Aquino, still only 45, and clearly an opponent of stature to him or to his successor. In June it seemed that Mr. Tanada had arranged the release of Mr. Aquino through an amnesty and an agreement that he would immediately go abroad. At the last moment Mr. Marcos backed down from this plan—though he is still clearly under pressure from the United States to revive it. The reasons for Mr. Marcos' decision remain unclear but it would seem that the Defence Secretary Mr. Juan Ponce Enrile and some of the military commanders were strongly opposed to Mr. Aquino's release.

The danger in this situation is of increasing polarisation with the opposition making its voice heard either through the foreign press and the U.S. Congress or by joining the New People's Army. Undoubtedly the political debates about the future of the Philippines that should be taking place within the Assembly have increasingly shifted abroad. Thus Mrs. Marcos came under intense questioning from a group of Congressmen during her visit to the United States because many of the issues being aired then cannot be aired domestically.

Within the country much of the role of an opposition has been taken up by the radical orders within the Catholic Church such as the Jesuits or the Redemptorists. They have spoken out loudly against police or military brutalities which are widespread in areas where Communists or guerrillas are suspected to be operating. Without much doubt their preaching in the villages and the cities on issues that point up disparities of wealth and articulate social grievances will have a long-term impact.

The official policy of the Church as outlined by Cardinal Jaime Sin, Archbishop of Manila, is of "critical collaboration" with Mr. Marcos' regime. This has involved both challenging the fairness of the election and a personal call by Cardinal Sin for the release of Mr. Aquino. At the same time the Church is frightened that Mr. Marcos could reduce the power of Church schools, press more strongly for family planning, and legalise abortion and divorce. The majority of the bishops would probably prefer Cardinal Sin to stay further out of politics and adopt a more conservative tack. For Cardinal Sin, anxious to hold the Church together in the Philippines, it is a hard row to hoe.

David Housego



هكذا من الأصل

Investment Invasion

Many foreign investment funds have already established beach-heads on Philippine economic shores. This is indeed a kind of invasion that is certainly welcome. It eloquently reflects the stable economic condition and impressive growth rate that the Philippines has achieved in recent years: two key factors that make the country a promising investment prospect.

Many multinational firms including banks and financial institutions have made Manila, Philippines their Southeast Asian base. Many more have entered joint-venture projects to help us harness the vast untapped resources in the country.

Today, the Philippines--with its rich human and natural resources aided by multi-source funds and technology, and supported by progressive fiscal and economic policies--is going full-steam towards industrialization.

BANGKO SENTRAL NG PILIPINAS 1949

CENTRAL BANK OF THE PHILIPPINES

Economy hit by export failure

THE MAJOR worry overshadowing the Philippine economy at the moment is the depressed markets for the country's exports—most notably sugar and copper.

Compared to a certainly unrealistic target of an annual increase of over 18 per cent a year, export earnings in the first seven months were in dollar terms hardly above the level for the corresponding period last year and show little sign of substantial revival.

With imports rising healthily in the first half—a sign that a resurgence of investment may be underway—the result is that the trade and current account deficits are moving back to the peaks of 1975-76. This is bound to have adverse repercussions on the growth of GNP, on investment and on the Government's ability to continue to finance high levels of borrowing and debt service.

The Philippines has been unluckier than most developing countries in seeing its terms of trade badly hit by the combination of rising oil prices and the collapse of the commodity boom. Compared with other South-East Asian or Far East nations it does not have that fortunate commodity base in rubber and tin, for instance, from which both Malaysia and Indonesia have benefited. Nor does it have the manufacturing strength of Singapore, Taiwan or South Korea. It has also been one of the developing countries determined to keep up the momentum of investment and growth in the wake of the 1975 recession by high levels of public expenditure and borrowings in anticipation of a world trade revival.

The most immediate consequence of the continued expansion of the current account deficit is that it will make it increasingly difficult to sustain growth through higher levels of borrowing. Outstanding debt has grown from $2.9bn at the end of 1974 to $7.2bn at the end of June. The accompanying table shows a rising trend of debt service payments which takes account of the refinancing of past loans the Philippines has done to obtain the cheaper terms now available. It also assumes that there will not be the same high level of expensive short-term borrowing (maturities of under 12 months) that there has been so far this year.

But it will be a burden difficult to sustain—in practice it will increase with a normal expansion of new commitments—without a buoyant rise in export earnings. The most comforting aspect of the picture is that the Central Bank gross reserves have been climbing and stood at $1.9bn at the end of June.

In this perspective the Government has been reviewing its foreign exchange spending. The main casualties are the postponement (sensibly) of a planned integrated steel mill and the trimming back of an extensive petrochemical complex. Priority is being given to energy-related projects such as the development of the off-shore oil field near Palawan and the import of power generating equipment as electricity shortages have been a major bottleneck in some areas. Further restrictions on imports could come into force if the trade deficit continues to rapidly expand.

At the same time public expenditure is being pruned. Customs duties account for nearly half of Government revenue. The budget deficit this year has been expanded as a counter-cyclical measure but next year's budget allows for only a 6.6 per cent increase in outlays to 32.2bn pesos above this year's expenditure—meaning no increase in real terms. Within this framework the Government is hoping to retain its high level of infrastructure spending—both a major stimulus to growth in recent years and in the outer islands, one of the major achievements of President Marcos' martial law regime.

But it is hard to see the Government in practice finding the 10.8bn pesos nominally allocated for public sector

The bank note inspection section in the Central Bank of the Philippines security printing plant in Manila.

investment this year. The rate of growth of infrastructure spending has been slowing down with the shortfalls in anticipated revenue due basically to the disappointing performance of the external sector.

In part the fall in the growth of public investment could be offset by an increase in private investment. In the increase in imports in the first seven months, in registrations with the Board of Investment and in the statistics of the Securities and Exchange Commission there are some signs of a private sector investment revival. This follows a sharp decline in foreign investment last year and overall virtually stagnant private sector investment.

But it is as yet impossible to gauge the strength or durability of the pick-up. Much of it would seem to be inventory replacement occurring at a time when funds are cheaper because the Government has forced down interest rates to encourage private sector investment. Imports of capital goods would largely seem to be going to the oil and power sector.

The low rates of capacity utilisation of the last three years—the result of overinvestment during the boom years of 1973-74—seem to be marginally improving with higher domestic consumer demand so that companies may be purchasing new equipment.

But whatever the significance of the pick-up in investment it has not yet made an impact on the growth of GNP. Officials have revised downwards their estimates of the growth of the economy in 1978 from 7.5 per cent to 6.5 per cent but some fear that it could drop as low as the 5 per cent being predicted by some independent forecasters in the country. With the population growing at 2.9 per cent a year, the labour force rising sharply, urban workers still seeing their real incomes eroded by inflation, this is not a sufficient rate of growth to provide both new jobs and raise living standards.

The National Economic Development Authority (NEDA) has not yet published its usual half-yearly report on the economy, so that analysis of the trend of GNP is more difficult than usual. But the increase in other agricultural production would seem to have offset the drop in sugar output. Industrial production, however, seems to have been growing slowly in the first half at about only 4.6 per cent. There has also not been the expected stimulus from construction and infrastructure works as disbursements on projects have been lagging.

The Government's five year plan (1978-82)—published last year but also in receipt of a nasty jolt from this year's disappointing export performance—set immensely ambitious targets that seem unlikely to be fulfilled. Its importance is that it spelt out goals for the increases in GNP, investment, savings, income distribution, export diversification, job creation and regional growth required to put the Philippines on a rising trend of living standards in spite of the obstacle of a high rate of population growth.

With shortfalls in anticipated revenues some delicate decisions will be necessary on whether to increase taxes further or to raise the price charged by public utilities for services like electricity. The Government is wary because it has no wish to halt any private sector investment revival or to exacerbate inflation.

Prices on the outdated Manila retail index are rising at about 7.9 per cent on an annual basis—well down from the high rates of two or three years ago but in danger of climbing again as recent wage and consumer goods price increases make their impact. The money supply also traditionally balloons in the second half of the year with higher Government spending. In the first quarter the growth of domestic liquidity (roughly equivalent to Britain's M3) was 17 per cent above its mid-1977 level—reflecting the contractionary effect of the unexpected balance of payments surplus last year and the slower growth of credit because the public sector has not been a net drawer on the banking system.

But as this latter factor changes and more companies borrow on the domestic market rather than offshore as they have been doing in the first half (reflecting the changing structure of interest rates and exchange risks) banks expect funds in the latter par of the year to get tighter and their present high liquidity to be reduced.

Under the careful stewardship of the Finance Secretary, Mr. Cesar Virata, and the monitoring of the economy by the IMF under the three-year Extended Fund Facility programme a number of important changes have been made in monetary and fiscal policy. The Philippines will be the first country to complete an Extended Fund programme and contrary to the experience of most countries has found its "conditionality" clauses useful.

Thus the Government was recently able to scrap rebates on import duties offered to manufacturers as an incentive to investment—an action pressed on it by the IMF but which it might have found tricky to have taken on its own if the IMF had not been there to carry the can as well.

On the other hand the Government has shirked the badly needed decisions to dismantle tariff barriers and other forms of protection that have enabled import substitution industries established in the 1960s or early 1970s to register handsome profits at the expense of local consumers. Together with Indonesia the Philippines has probably one of the most inefficient and high cost domestic manufacturing sectors in the region.

Cushioned in the domestic market few of the large companies have bothered about exporting. The protection they get discourages competition from the small and medium industries that the Philippines needs to create more jobs. Mr. Paterno, the Industry Secretary, is now moving towards reducing tariffs for the textile and paper industry. Some of his colleagues think he should move faster and into other sectors as well.

At the same time the Board of Investment would seem to be dangerously generous in granting incentives to companies seeking to use the Philippines as an export base but whose operations contribute minimum local value added. The risk in such open-handedness is that it could provoke a backlash later at the low returns to the Philippines of such foreign investment.

The trade deficit in the first seven months climed to $733m against $295m for the corresponding period last year, while the current account deficit expanded to $419m from $31m last year. This in spite of an encouraging growth in recepits on current account from tourism and remittances from Fulipinos abroad—noticeably in the Middle East.

Under the IMF ceilings the Philippines has been restricted this year to commercial borrowings of $950m for maturities of between 1-15 years. Mr. Virata says tht most of this has now been used up but that he will consider further borrowings for particular projects through prepaying old loans by drawing on the reserves. The major element in the commercial borrowing programme this year was a $500m "jumbo" loan—part of which has been used for refinancing—which does not count against the IMF ceiling.

With the Extended Fund programme running out, the Government has to decide what should follow it. There is little doubt that the IMF would be willing to stretch its rules to enable the programme to be continued. But it is more likely that the Philippines will look to the IMF for a two-year stand-by credit which offers 10-year funds at 1 per cent interest.

There is also little doubt that the administration will "manipulate" the overall balance of payments so as to ensure that it has a deficit on the bottom line. This is because countries that are not in basic deficit cannot take advantage of drawings under the IMF trust fund programme.

Thus in the latter part of the year the Government is likely to put pressure on oil company subsidiaries and the sugar and grain authorities to liquidate their short-term overseas loans which have provided substantial business for the new Offshore Banking Units newly established in Manila. With a basic deficit in the balance of payments—at the expense of drawing down on the reserves—the Government will be able to make more use of both IMF facilities and the IMF guidance which it has found useful.

David Housego

DEBT SERVICE ($m)

	Oustanding balance	Credit commitments	Total
1976	—	—	474
1977	—	—	753
1978	1,005	22	1,028
1979	1,103	128	1,236
1980	1,190	256	1,446
1981	943	317	1,260
1983	796	568	1,364

Includes actual payments from January-June 1978
Source: Central Bank

BALANCE OF PAYMENTS ($m)

	1973	1974	1975	1976	1977
Balance of trade	275	−449	−1,197	−1,117	−839
Exports (fob)	1,871	2,694	2,263	2,517	3,075
Imports (fob)	1,596	3,143	3,459	3,633	3,914
Net current account	444	−280	−990	−1,139	−839
Overall balance	664	110	−321	−164	164

Manufacturing growth still below targets

CONFIDENCE IN the fortunes of the manufacturing sector, which contributes over a fifth of the country's Gross Domestic Product, appears high—but overall figures need several qualifications. No statistics are available for the first six months of this year but such information as is available from Government departments and private agencies indicates an increase of about 4.6 per cent in output over the comparable period last year. It is thus still running well below the target growth of 10 per cent envisaged in the Five Year Plan published just twelve months ago.

In 1977 industrial production grew by 3.4 per cent. This year's figures would seem to imply a return to the modest range of growth in 1976 of 4.9 per cent.

The weaknesses of the manufacturing sector, according to the Central Bank, were a general slowdown in construction activity effecting fabricated metals, non-metallic mineral products and furniture, the lower prices of certain imported substitutes like paper and paper goods and sluggish investment. These trends appear to be continuing, for when the first half of this year is compared with the second half of last, growth comes out at only 1.1 per cent. Production was reported down in textiles, clothing, non-metallic mineral products, wood products and fabricated metal products.

A more optimistic note, though, was that other sectors performed relatively well, notably food, beverages, tobacco and chemicals which together make up 60 per cent of the sector.

The crucial element, however, is the level of investment, which despite one or two signs of an upturn is in real terms still lower than it was four years ago. The level then was high and a disproportionate amount of it went into construction, particularly up to 1976. Activity in this sub-sector only picked up marginally in 1977, when there was a growth of 1.2 per cent in the number of permits issued compared to a drop of 46.2 per cent in 1976.

Viewed over the long term the manufacturing sector is still trying to make the change from being import substitution-based to export-orientated, even though this policy is nearly a decade old. Import substitution industries such as tyres now face the prospect of lower protective tariffs as the Government tries to make them more competitive.

On the other hand export industries are having to be built up from a very low base. The regime would like to see complementarity with other ASEAN countries in a number of domestic industries to reap the gains of a larger market. It also wants to shoulder its way into export fields where its cheaper labour gives it an advantage over Taiwan or S. Korea.

An additional contradictory effect of Government policy is that sometimes the protection given to the import substitution industries works against the small and medium concerns which often have the greatest potential for growth. There is also a tendency, according to senior officials, for new businesses to be concentrated around Manila—although the Five Year Plan hopes to balance this.

The most publicised export-earning industries are concentrated at the export processing zone at Bataan, in sight across the bay from Manila itself. It does not remove the feeling of bias towards Manila and its island, Luzon, especially as the second export processing zone planned for Mactan on the island of Cebu is at no more than the conceptual stage.

The Bataan zone—a site of 29,000 acres—is now contributing $6.8m per month to export earnings and towards the end of the year this figure will begin to exceed the cost of imports into the 47 factories now operating. Most of these are in the light and medium industry sectors but by the projected completion date of 1984 there will be 120 factories, providing employment for 40,000.

A lot of money has still to be spent, about $130m from Government agencies and more than twice that from the companies concerned. The area is slightly handicapped by the lack of an airport but a small field is planned some distance away. The sea port is also very small and workers at the plants have to be brought in and settled from surrounding regions. Heavy industry in the zone is represented by a shipyard and engineering company, and a body pressing works for the Ford Motor Company.

Allegations have been made in a U.S. court that Philippine officials made payments to Ford to set up the plant—which certainly seems a prestige venture and has yet to prove a commercial success.

Certainly car and truck manufacturing is the most visible part of industry in Manila, with most of the Ford, General Motors and Japanese cars on the roads being traceable back either to local manufacture or local assembly. They are the products of the progressive car manufacturing programme. The scheme was started in 1969 to follow up voluntary cutbacks in the imports of completely-knocked-down vehicles, to build a component manufacturing industry, to up-grade local skills and boost local enterprises and to initiate co-operation in the field with other South-East Asian countries.

Local car manufacturing managers profess optimism with the way the scheme is developing, although their products are still beset by a high tax component. They do not set high store by immediate growth prospects but feel their competitive advantage in the area will remain because of low labour costs and the low labour component in the process.

The industry is already making engines but there is now a possibility of having a diesel engine factory as well, with Perkins named as one of the possibilities.

Plans are still on the drawing board for a steel mill, a copper smelter and a petrochemicals plant. The projects range into the billion-dollar level but because of the cost high officials say deferment has already been decided in the case of parts of the petrochemicals plant—and probably for the steel mill as well.

Simon Henderson

Foreign investment moves in again

MANY people in the Philippines are now predicting the development of a minor investment boom following the two year lull since the previous high point in 1974-75. However, unless the position on trade brightens, the boom is likely to be short lived.

From Government sources the following picture emerges. In the first six months of the year the Board of Investment made approvals on projects at a rate almost 60 per cent higher than in the first half of 1977, and the foreign portion of these investments increased by 43 per cent (the lower figure represents acquiesence to the Government policy of raising the domestic stake in enterprises). A more comprehensive indication is registrations with the Securities and Exchange Commission. These recorded a 40 per cent increase over the same period last year, or nearly $200m.

Another source is central bank figures, which are only available for the first quarter but which also show the foreign component of investment doubling to $42m. However, the major qualification to these figures is that they have yet to be reflected in substantial spending. Imports of machinery and equipment to replace plant needing modernisation have risen only slightly so far (contributing to the balance of trade deficit as well).

The reasons for the pick-up in investment—which may only be temporary—include such varying factors as the state of the U.S. economy, with which the Philippines is still closely linked, and the attractiveness of the terms offered by the Philippines Government to foreign investors. The recession of the past couple of years is explicable by the mirror image of this—continuing uncertainty in the American economy and various measures taken by the Manila Government to alter the terms of foreign investments.

What particularly disturbed foreign investors were laws limiting the accessibility of foreign companies to domestic borrowing in the Philippines, and proposed alterations to laws regarding trade marks and patents. With the passage of time these have been toned down or enforced less strictly than expected.

In the case of patents, President Marcos signed a decree last December which sent a shiver down the spines of foreign businessmen who had become used to the advantageous terms operating in the Philippines. It provided for a ceiling on royalties of 5 per cent, the imposition of Government approval on all voluntary licence contracts and the prohibition of some licence clauses. Further, a provision was included that importing a product does not constitute the working of a patent.

The question of trade marks arose several months later after the elections. With the establishment of the interim National Assembly, a bill was proposed that a special tax should be levied on domestically produced goods with foreign trademarks.

From the Philippine point of view these measures represented nationalist gestures against what is considered undue foreign dominance. Also the country is going through the transition of having successfully attracted a variety of firms as import substitution concerns, and has been worried by the protectionist barriers behind which these are still operating—perhaps to the detriment of the growth of the economy as a whole.

In addition the government wanted to mention export oriented industries and has been in some doubt as to how to strike the balance between pressing foreign concerns into exporting but not discouraging the flow of investment. Restricting the access of foreign companies to domestic funds was one example of this. Under the original regulation only foreign companies achieving a high debt: equity ratio of 60:40 would have had access to the domestic market.

The attitudes of the business community to these measures appears to have mellowed over time, and it is not hard to see the reasons why. The debt: equity ratio has been varied according to need, so that effectively foreign companies have not had to bear what worried them—a foreign exchange risk on borrowings which they passed on as credits to distributors. On the patent regulation, a new draft just published has been described as "less objectionable" by the local American Chamber of Commerce. A new classification has emerged to temper the compulsory licensing clause so that it now has to be considered "highly essential" to the Philippines before it comes into effect. A major achievement, according to businessmen, was to have a board within the Ministry of Industry supervising the new regulation, rather than the Government's Technology Resource Centre (TRC) which is viewed in some quarters with suspicion because of its presumed independence from the mainstream of Government.

Officials say new investment is needed in the public sector and particularly mention the power generating network. The business community seems perhaps over-confident of continuing expansion in general consumer demand as the urban population grows and disposable income increases. One business leader indicated expansively that growth was being planned in pharmaceuticals, food processing, automobiles and communication equipment.

The Government is putting much emphasis on non-commodity exports—the types of manufactured goods being produced in Taiwan, Hong Kong, Korea and Japan. The possibility of growth is there, but recently, especially in the case of textiles, traditional markets have been curtailed by quotas. For what are called "non traditional exports" the Board of Investment gives attractive incentives provided a company can demonstrate that the value added component of Philippines manufacture is at least 50 per cent.

The range of "non traditional" goods represented include watches, car bodies, tennis balls, jeans, handicrafts and childrens toys.

For the domestic market there is an ambitious programme of investment in industries like shipbuilding, truck manufacture, engine manufacture and agricultural equipment.

American investors are watching the outcome of negotiations on the bases. If President Marcos is only hoping to win the very best price for the bases, he must also be careful that he does not put off those investors who mistake his concern for the economic prosperity of the Philippines for political instability and a poor place for investment.

Simon Henderson

The banking scene

IN NO other sector of the Philippines economy has change been as frequent as in banking. In most cases, it has been brought about by Government regulation. In some, however, it is not exactly in line with what the regulatory authority wants. There is thus a rethinking of some aspects of policy in view of ramifications that go beyond banking and which hinge on racial hostility towards the local Chinese community.

In the past 18 months two almost defunct banks were restored to financial health with Central Bank (CB) assistance, both under new names—as well as new owners and managers practically handpicked by the Central Bank. General Bank and Trust Company (Genbank), which was closed after a disastrous "run" in late 1976, reopened in March 1977 as Allied Banking Corporation. By December last it was already making handsome profits.

In September 1977, International Corporate Bank (Interbank) took the place of what used to be Continental Bank and Trust Company, whose overexposure in risky non-banking business led to its closure in mid-1974. Like Allied Banking, Interbank, as of December last, was already turning in profits.

Under official pressure to build up capital, majority ownership of Filipinas Manufacturers Bank (Filmanbank) changed hands but the bank retained its corporate name. On the other hand Republic Bank became Republic Planters Bank following a change in majority ownership—likewise under recapitalisation pressure. A substantial equity transfer is scheduled to take place in the largely Church-owned Philippine Trust Company (Philtrust) as a result of a complex mixture of political, Central Bank and commercial pressures.

Withdraw

For reasons partly related to constraints on Filipino participation in the management of Filipino banks, Bank of America decided to withdraw from Insular Bank of Asia and America (IBAA), where it had been a 30 per cent equity partner. This followed earlier withdrawals by Royal Bank of Canada and Grindlays Bank of London from their respective domestic partners, Traders Royal Bank and the former Genbank. Moving against the trend, Bank of Nova Scotia came in as a 30 per cent equity participant in the local Security Bank and Trust Company.

Foreign investment in local banks was allowed during the last three-year compulsory capital build-up programme whose main target was a banking system with dispersed ownership and made up of fewer but bigger banks. Another such programme has been tentatively scheduled to start either late this year or early next, but the Central Bank seems to be having second thoughts about making recapitalisation compulsory after reviewing results thus far.

In the first programme, which was completed in 1976, the two banks which failed to comply with the 100m peso minimum paid-up capital requirement—Filmanbank and the former Republic Bank — were both Filipino-owned. With the exception of Rizal Commercial Banking Corporation, all banks owned by Filipinos of Chinese origin were able to raise capital as required from their own funds.

The growing financial muscle of Chinese-turned-Filipinos became evident elsewhere in the banking system. Ownership of the former Genbank changed hands from the Filipino Yujuico family to a Filipino Chinese group led by Lucio Tan and Willie Co when the bank became Allied Banking. In the case of Interbank the ownership change was from the family of Vic Tan, a Filipino Chinese, to two groups—one Filipino-Chinese led by Dewey Dee and the other Filipino led by Ramon Orosa.

Concern

Recently Filipino - Chinese equity — although still a minority holding—in three other Filipino banks: Filman Bank, Manila Banking Corporation and Philippine Banking Corporation. When Bank of America sold its 30 per cent interest in IBAA, the buyer was Filipino - Chinese Andrew Gotianum.

The current official concern, therefore, is over possible continuing loss of valuable ground by Filipino bankers not so much to their minority American, Canadian or European partners but more to their fellow national bankers of Chinese origin. The fear voiced recently by Central Bank Governor Gregorio Licaros and his senior deputy, Amado Brinas, is that given a situation where indigenous citizens are at a competitive disadvantage when it comes to mobilising fresh funds, any compulsory capital build-up could only lead to more gains by Chinese-origin Filipinos, and to a lesser extent foreigners, at the expense of Filipinos.

As Mr. Licaros put it at a recent Press briefing, CB will have to act on the problem some way or another sooner rather than later. Finance Minister Cesar Virata, who is a member of the Central Bank Monetary Board, told newsmen that as far as he is concerned, naturalised Filipinos "are as Filipino as natural-born Filipinos."

On the other hand, Mr. Norberto Katigbak, one-time executive vice-president of Filipino Chinese-owned Associated Citizens Bank, wrote in the Manila Times Journal that the combined resources of nine Filipino Chinese banks represent some forty per cent of total resources of the private domestic commercial banking system, with another forty per cent accounted for by Filipino banks with minority foreign equity, and only twenty per

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Stormy relations with the U.S.

THE UNITED STATES has no older ally in South East Asia, and close ties with the U.S. are the cornerstone of Philippines foreign policy. But there has rarely been a stormier 12 months in the stormy history of U.S.-Philippines relations.

President Marcos accused the American administration of financing opposition candidates during the April general election; his daughter Imee led a mass demonstration calling for the dismantling of American bases in the Philippines; Vice-President Mondale, making a tour of the region, rebuked President Marcos for violations of human rights by his martial law regime; and the First Lady, Mrs. Imelda Marcos, received at a meeting with a group of Congressmen during her visit to the United States a grilling on her Government's policy and her own personal wealth of the type that a Congressional committee might have meted out to a junior witness.

The sparring has been almost continuous. By no means all of it is serious. But behind it lie genuine reservations on the American side as to the support the U.S. should be extending to President Marcos' regime, while on the Philippine side lies an equally genuine questioning of the type of relationship the country should have with the United States.

There is little doubt but that President Marcos and his advisers, like his Defence Secretary Enrile Ponce, would like as close a relationship as possible. They have strong personal ties with the United States. The U.S. is the country's major trading partner and the largest foreign investor. The American commitment to the security of the Pacific region—vague as this may be—is seen as important to the stability of the region, particularly since the planned phased withdrawal of American troops from South Korea. In both the Philippines and in the other member states of the Association of South East Asian Nations (ASEAN), the Clark airbase and the Subic Naval base are seen as underscoring American interests in the area.

President Marcos would like to tie the negotiations over the future of the bases to American support to the Philippines against external aggression and to help in suppressing the secessionist movement of the Moro Liberation Front (MNLF) in the south—unrealistic as these hopes are. In particular, he would like to be assured of a regular supply of military aid to back him in the costly campaign against the MNLF.

But President Marcos is also smarting under what he sees as the indignities of American interference in Philippines' internal affairs—the other side of the coin to U.S. reservations about supporting his martial law regime.

Administration arguments thta aid bills to the Philippines would be easier to get through Congress if President Marcos could demonstrate proof of his popularity at the polls were a major factor in his decision to hold the April general election. In the event the rigging of the vote swelled the number of hostile voices in Congress and was at the root of the hostile reception given to Mrs. Marcos. The United States abstains in both the World Bank and the Asian Development Bank on all loan proposals to the Philippines because of the human rights issue.

More pressure

The Administration has taken a leading role in campaigning for the release of President Marcos's old opponent Benigno Aquino, who might have defeated him if there had been a Presidential election in 1972 and who has been in prison ever since Mr. Marcos declared martial law that year. It has also, through State Department officials, lectured him on the detention of other political prisoners.

As U.S. pressure has grown, so President Marcos has politically tried to turn it to his advantage by waving the flag of anti-Americanism at home. There is little doubt that, with the United States the former colonial power in the country and possessing still a major influence on the economy, this finds an echo. Imee Marcos' flamboyant march on Clark Base at the head of a large number of young demonstrators should not be dismissed as entirely orchestrated.

Among the young the bases are to some extent a symbol of continuing American domination—as humiliating as the country's dependence on foreign loans. In the long run the problem may be keeping the lid on this form of anti-Americanism.

At the same time President Marcos has sought to move out from under the American shadow by closer relations with other major powers. Potentially the most important of these is with China. For Peking, the Philippines is probably the South East Asian state with which it feels most at ease. There is not the same massive communal problem of a local overseas Chinese population that there is in Indonesia or Malaysia, and the Philippines has been cautious in its dealings with the Soviet Union. Trade and cultural exchanges have been following in the wake of the establishment of diplomatic relations.

The Chinese are keen that the American bases should remain. The message was conveyed during the visit in March of Vice Premier Li Hsien-hien to Manila and is likely to be repeated during the forthcoming visit of vice premier Teng Hsiao-ping. The Chinese are anxious for Philippine support—as they are for that of the other ASEAN countries—in their bitter quarrel with Vietnam.

In the short term the spectacle of Communist rivalry in Indochina—following so closely on the heels of fears among the ASEAN states of the emergence after the collapse of South Vietnam of a unified and arrogant Communist leadership in South East Asia that would undermine their regimes—is a welcome distraction. But more worrying in the long run is the prospect of the instability that could result from jockeying for influence by China, the Soviet Union, Vietnam and a reluctant United States.

Parallel with China's wooing of the Philippines the Vietnamese Premier Pham Van Dong has visited Manila on his recent tour through South East Asia. The Philippines is as distrustful as other ASEAN states of these overtures that mark a sharp reversal of Vietnam's former hostility towards ASEAN. It is one of the states that has been increasingly affected by the growing number of boat refugees from Vietnam. It also has a particular problem with Vietnam in that both lay claim to the Spratly Islands, to which China and Taiwan have also staked ownership. Not only does the prospect of oil in the Spratly's archipelago make this a delicate issue, but the Philippines shares the fears of China that the Russians might try to establish a base on one of them through the intermediary of Vietnam. The Philippines have now occupied seven of the Spratly Islands and continue to reinforce the Westcom base on Palawan island from which they are best placed to patrol the Spratlys. But to avoid the risk of conflict, oil drilling in the area has ceased.

Largely as a gesture of defiance to the United States, President Marcos has recently been outwardly warmer in his relations with the Soviet Union. Mrs. Marcos made an unexpected visit to Moscow in the summer—nominally to sign a cultural agreement — before going on to the United States. The visit was a subject on which she was questioned by U.S. Congressmen concerned about the American bases in the Philippines and military aid.

Fostering relations with both Communist states and with the west is important to President Marcos in establishing his credentials as a Third World leader and in seeking to join the non-aligned club. Next May the Philippines will host the UNCTAD 5 conference—the major gathering of industrialised and developing countries—which will review progress in the flagging North-South dialogue. But as a candidate for the non-aligned group the Philippines continues to be suspect because of the presence of the American bases.

Though negotiations on the future of the bases is in limbo, there is little doubt that a settlement will emerge. The present lease does not expire until 1991 and the two sides are holding out for the best terms. The size of the bases at Clark and Subic Bay are likely to be reduced and the 16,000 American troops stationed there cut back in numbers. The U.S. has already conceded sovreignty over the base and a formula has been worked out under which they will have a Filipino commander, but U.S. officers will retain charge of the operational facilities.

Token gesture

Still unresolved is the question of jurisdiction over American personnel. More difficult still is President Marcos' desire that payment for the bases should be made in the form of rent—which would not be subject to the annual approval of Congress—rather than in military aid. Congress chopped a token sum off this year's aid bill as a gesture against the Philippines' record on human rights. Dr. Henry Kissinger, the former U.S. Secretary of State offered payment of \$1bn over five years for use of the bases—an offer that was first accepted by Foreign Secretary Carlos Romulo and then rejected by President Marcos for reasons that were never fully clear.

As in his domestic policy, Mr. Marcos' foreign policy runs up against the obstacle of distrust of his word. In August, 1977 at the ASEAN heads of government conference in Kuala Lumpur he made much of his gesture to renounce the long-standing Philippine claim to the east Malaysian state of Sabah. This claim, a continuing source of grievance between the Philippines and Malaysia, is based on documents that portend to show that the Sultan of Sulu (in the southern Philippines) leased Sabah (then North Borneo) but retained sovereignty over it. In renouncing the claim President Marcos' aim was to prevent Moslem sympathisers in Sabah using it as a staging post for supplies to the MNLF. But though Malaysia has shown willingness to prevent Sabah being used to support the MNLF revolt, President Marcos has not yet gone through the constitutional formalities of renouncing the Philippine claim.

His word is equally distrusted in the Arab world. At one time it looked as though the Islamic conference—and Libya in particular, which had been aiding the Moslem rebels in the south—might mediate in the war with the MNLF. But these efforts have been abandoned with the breakdown in the ceasefire and the apparent unwillingness of President Marcos to stand by the spirit of promises he had given. But from the point of view of the Philippines the danger of an Arab oil embargo on the country in support of the MNLF now seems to have been removed.

This suspicion over his good faith has also made it difficult for him to take the lead among the ASEAN states. Certainly he is one of the most forceful of the regional heads of government and potentially the most acceptable within such a diverse group of nations. He has pushed hardest for ASEAN to achieve closer economic union, rightly seeing that this could be of immense benefit to Philippines industry, which needs larger markets. But that sense of theatre which is at least understood in the Philippines is treated among his ASEAN partners as demonstrating a waywardness that works against common goals of unity.

D.H.

Banking

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cent by Filipino Banks without such equity.

He suggested a policy bias in favour of indigenous Filipinos. Otherwise, Mr. Katigbak warned, Filipinos will be "second class citizens" to Filipino Chinese when it comes to availability of credit from the banking system. He claimed that this situation already exists in the retail trade sector which is open to all Filipino nationals of whatever ancestry.

In January this year further interest rate revisions were made, this time with a view to reducing the cost of borrowings. The Central Bank declared basic loan interest ceilings as effective rather than nominal rates, thereby limiting the room for manoeuvre on mark-ups and other non-interest charges by lenders on borrowers. The maximum yields on deposit substitutes or moneymart debt instruments were likewise declared as effective rather than nominal. Moreover, the yields were reduced.

Principally as a result of these moves, the commercial banking system generated additional deposits of 8.390bn pesos in the period between end-June this year and end-June last year, boosting total deposits to 38.250bn pesos as of last June 30. With a bigger deposit base, commercial banks increased their loans to 47.754bn pesos from 39.101bn during the period, and their investments, to 12.906bn from 8.836bn. Their assets expanded by 15.211bn pesos to 77.943bn.

The commercial banks built up their capital accounts too, partly in anticipation of a compulsory recapitalisation programme which would tentatively raise minimum paid-up capital for each bank from 100m pesos to between 200m and 250m over a three-year period. As of end-June this year capital accounts of the 26 private domestic banks amounted to 4.675bn pesos, of the four foreign bank branches to 368.7m pesos, of the two Government banks to 1.963bn.

Another reason why commercial banks are recapitalising voluntarily is the expansion of the offshore banking system. The first of 16 offshore banking units (OBUS) licensed by the Central Bank to do business here opened in July last year. This was the OBU of Lloyds Bank International of London. By June this year similar units of the following foreign banks were also in operation: American Express International Banking Corporation, Bank of California, Bank of Nova Scotia, Bank of Tokyo, Banque de l'Indochine et Suez, Banque Nationale de Paris, Barclays Bank, Chase Manhattan Bank, Croker National Bank, European Asian Bank, International Bank of Singapore, Manufacturers Hanover Trust Company, Ralier National Bank, Security Pacific National Bank and United California Bank. Two more foreign banks have since been allowed to set up OBUs here. They are Bank Sadarat of Iran and Chemical Bank of New York.

As of September 8 last, combined assets of offshore banking units amounted to \$1.198bn. With such a base OBUs have been active in offshore-to-offshore and offshore-to-onshore lending operations, particularly the latter. This means that they are taking away a portion of what used to be the exclusive market of onshore commercial banks, domestic and foreign. The only way the latter can offset this is to go into foreign currency transactions themselves through expanded foreign currency deposit units (FCDUs).

Only resident banks with paid-up capital exceeding Pesos 150m can operate such units. Smaller resident banks have to content themselves with limited FCDUs. As of September 8 last banks with expanded foreign currency deposit units had combined assets of \$1.308bn, whereas those with limited FCDUs had combined assets of only \$275.14m. As the Bankers Association of the Philippines puts it, recapitalisation for banks will come naturally.

Leo Gonzaga

Trade structure lacks balance

THE TRADE of the Philippines continues to be dominated by too few commodities and concentrated on too few countries. The see-saw history of the trade account reflects this vulnerability.

In the early 1970s exports and imports expanded slowly but roughly in tandem. This pattern received a sharp jolt from the increase in oil prices, which resulted in both a dramatic rise in the size of the import bill and of the share of oil within it. Payments for fuel amounted to nearly $1bn last year or roughly a quarter of total imports of $3.9bn.

The size of this burden on the balance of payments has cramped the growth of other imports—most significantly of raw materials for industry and of capital goods—over the past three years. The 98 per cent rise in the dollar value of the import bill in 1974 was followed by an increase of 10 per cent in 1975, 5 per cent in 1976 and 7.7 per cent last year. This represents virtually no growth or even a decline in real terms. Import payments rose 21 per cent in the first seven months of this year, however, to $2.3bn, reflecting the government's determination to boost investment.

Although the start up of offshore oil production next year—which it is hoped will build up to 20 per cent of domestic requirements by 1980—will diminish oil imports, the effect on the balance of payments for some years will be small. The companies have secured fast cost recovery terms.

Cushioned

On the exports side five products — sugar, coconut oil, copper, logs and copra—account for over half of Philippine earnings. With the surge in commodity prices in 1974, these products cushioned the Philippines against the rise in the oil bill. Their share of total export receipts climbed to 69 per cent. But the tailing off of the commodity boom and the slump in sugar and copper prices, in particular, has been the main factor behind the widening of the trade deficit. The five products still accounted for 51 per cent of export receipts last year.

Largely as a result of this dominance the terms of trade have shifted by about 30 per cent against the Philippines since 1972—although there are some signs that this trend is now being arrested.

In 1977 a 20 per cent increase in the volume of sales—largely the result of offloading the country's massive sugar stockpile before quota restrictions on exports came into force under the International Sugar Agreement—was the main factor behind a 22 per cent increase in the dollar value of exports to $3.1bn. This growth meant that the trade deficit was clipped back from just over $1bn in 1976 to $764m last year. With both the volume and price of sugar sales still flagging, the prospect this year is of the trade deficit again climbing to over $1bn.

In the first seven months the deficit had already reached $733m. Among traditional export products it has been buoyant demand for coconut products, timber and some minerals that have helped offset the slump in receipts for sugar. But the total dollar value of exports over the seven months has scarcely risen above the level for the same period last year.

Since the early 1970s the Philippines has been putting a great deal of effort into diminishing its vulnerability by trying to expand non-traditional exports—generally defined as products whose export value did not exceed $5m in 1968. From a low base non-traditional items have expanded in value at an impressive annual rate of 33 per cent from 1970-77 (as compared with 15 per cent for total exports) to about $950m last year—equivalent to 30 per cent of total export receipts.

The impetus from this growth has come from manufactured goods, nickel and bananas (both now running into marketing problems) and other agricultural products and processed food. But it is an impetus increasingly difficult to sustain.

Among exports of manufacturing goods, there is the same concentration on a limited range of products that is visible among traditional exports.

In 1977 garments, electrical and electronics equipment, and handicrafts together accounted for 67 per cent of exports of non-traditional manufactured goods recording sales of $246m, $116m and $75m respectively. Over half of garments exports and about 90 per cent of electronics exports are on a consignment basis—basically multinationals from the U.S. and Japan importing semi-processed goods to be finished in the Philippines for onward shipment to their own markets. The gains to the balance of payments are thus nothing like as great as the gross export figures suggest. Sales are also dependent on the year by year marketing strength of the companies involved.

There are promising signs that the local textile industry is attempting to increase the domestic value added through upgrading its product, improving the quality of Philippine cloth and diversifying its markets. About 60 per cent of garment exports currently go to the U.S. Although the new textile quota arrangements with the U.S. are more favourable than many in the Philippines had initially expected, there is little doubt that with tighter quotas in force in the EEC as well there will be a sharp drop in future in the annual 31 per cent rate of growth in garments exports that the Philippines has experienced since 1970.

At the same time handicraft sales are less buoyant and the threat of protectionist restrictions inevitably hangs over the electronics industry. Officials, however, are still bullish about a rapid expansion of non-traditional exports. They see encouraging growth prospects in exports of gifts and household items, toys, furniture, processed food and sporting equipment. There is clearly the hope that Japan, Taiwan and Korea will further shed some of their labour-intensive industries and that these will fall to the Philippines. These expectations seem in part to be being borne out by a sharp revival in registrations of new foreign investments.

Wishful

Nonetheless in present international trading conditions the Government's target of an annual 27 per cent growth in the non-traditional export sector up to 1987 is wishful thinking and as unrealistic as its overall targets of an 18 per cent growth in exports. It will certainly have to accommodate itself to a rate of growth in exports below the annual 15 per cent of the 1970-77 period.

More to the point is the risk that any prolonging of the present slow expansion of exports could result in further restrictions on imports. The strong growth of imports in the first half largely seems to have taken place in raw materials—suggesting a build-up of inventories — and in capital equipment, particularly for power generation and the oil industry. The breakdown of import figures as published by the Central Bank are not sufficiently detailed to provide any real clue as to where reductions might be made without seriously impairing the growth of the economy and of employment. But one category that would be vulnerable to restrictions would undoubtedly be CKD parts for the car industry.

The attempt to diversify export products is being matched by similar efforts to diversify markets and suppliers. The most striking change in the direction of trade last year was the 14 per cent growth with the EEC to $1bn, meaning that the EEC now accounts for 15 per cent of Philippine trade. Of EEC states, Britain was the largest exporter through sales of electric machinery, appliances and transport equipment. The UK was followed by Germany, France and the Netherlands.

Among EEC states, the Dutch were the largest buyers from the Philippines and the country's main outlet for copra.

But as the result of both geographic and historic links the United States and Japan continue to be the Philippines dominant trading partners, accounting for 27 per cent and 24 per cent of total trade, respectively. The U.S. purchased 35 per cent of the country's exports, being above all the principal buyer of sugar, coconut oil, nickel and garments.

Imports from Japan slipped by 0.1 per cent last year, but Japan remains the country's principal supplier, accounting for 25 per cent of the market. Above all it is the leading supplier in chemical goods, engineering equipment, steel and transport equipment. It has yet to be seen what impact the appreciation of the yen will have.

Against the background of an unpromising growth in world trade, there are many businessmen and officials in the Philippines who press the need for exploiting opportunities in intra-regional trade — particularly with neighbouring ASEAN countries. Currently trade with ASEAN members accounts for only 3-4 per cent of Philippines trade—and this includes imports of oil from Indonesia. Mr. David Sisyp, President of the Rizal Banking Corporation, powerfully argues the case for joint sharing of mini-industrial ventures and for some co-ordination of investment in the region. The Government and the private sector in the Philippines are in principle agreed. But so far there has been little action apart from the lowering of tariffs among ASEAN members on over 700 goods—a gesture that sounds impressive but whose impact is actually small.

D.H.

Campaign to save on energy imports

REDUCING THE Philippines' dependence on foreign oil supplies has become a major plank of economic policy. Around 95 per cent of the country's energy requirements have to be imported at a cost of about $1m a year. But an ambitious scheme of energy substitution initiated after the oil price rises in 1973 is now well under way and officials speak of being able to meet half the country's energy requirements from domestic resources by 1987.

The best known and publicised of these resources are the oil finds off the south-western island of Palawan, which are due to come on stream next year and, it is hoped, will meet 15 per cent of the nation's future oil requirements, or up to 40,000 barrels a day. But Energy Minister Geronimo Velasco optimistically estimates that these and similar wells will one day meet 30 per cent of demand. He is also looking to the development of coal, nuclear energy, geothermal and hydro-electric power.

The Minister does not appear to include in his calculations any oil that might lie below the disputed Spratly Islands. He contests the disputed nature of any oil there by arguing that the Philippine Spratlys lie only 180 miles offshore (and thereby inside the 200-mile territorial limit which has yet to be approved internationally).

Content

The Philippines seem reasonably content to let the other littoral countries — China, Taiwan and Vietnam—argue among themselves about other islands in the widely dispersed group. Referring to the Philippine Army units stationed on the nearest islands, and the possession of an airstrip, one official used the seemingly appropriate phrase of "possession being nine-tenths of the law."

For the moment a lot depends on the successful exploitation of the so-called Nido One and South Nido One closer to land. Five wells are to be established in the area off Palawan and a delegation is just about to go to Singapore for the inauguration of the first drilling rig.

Minister Velasco seems less than concerned that the two oil finds date back to March 1976 and July 1977 respectively, with plenty of drilling but little oil found so far. Instead he emphasises the development priority rather than exploration at the moment and points out that the world average ratio for dry wells to proven wells is 35:1.

As yet gas has not been reported in commercial quantities so coal exploitation is the second priority—but very much second. Between 1973 and 1977 only $13.7m was spent on coal exploration, development and production as compared with $177m on oil. But the output of over 250,000 tonnes a year is a six-fold increase on the 1973 figure. One advantage of this mineral resource is that verified deposits are said to be well distributed among the islands. One of the basic problems of serving the thousands of the islands that make up the Philippines is supply.

The geothermal power of the Philippines arises from their volcanic origin and can be tapped in the same way as is already done in the U.S. and New Zealand. Minister Velasco says that by 1983 his country will be second only to the U.S. in this form of power generation. A figure of about 2,000 MW is mentioned.

In the six-year period up to last year more than 50 wells had been drilled for this sort of energy and there are now five areas under development. Two are coming into operation, including one serving part of metropolitan Manila.

Essentially the process involves finding a source of dry steam and installing a turbine above it. Each hole appears to have a life limited to a few years, after which a new hole has to be drilled to tap the resources of the same field.

It is a comparatively unknown area of scientific investigation, so questions of exactly how long the energy resource may last meet with vague answers. The Ministry of Energy says it is opening up the geothermal areas to the private sector under the same sort of service contract system instituted by President Marcos for oil exploration.

One of the most controversial sides of energy exploitation has been nuclear power because of concern at the high price of contracts awarded by the American Westinghouse group to local concerns.

The first nuclear plant at Morong on the Bataan peninsula across the bay from Manila is due for completion by 1982, to produce 620 MW. But it seems likely that instead of being the first of several, for at least a decade it will be the Philippines only nuclear power plant.

Costs have risen and there are also worries to be heard abroad that such a plant is being installed in an area of volcanic activity. Minister Velasco says that no decision has yet been taken on the second unit because the authorities want to see the experience of the first plant.

Meanwhile exploration still continues for uranium deposits on the islands and although the size of the exploration indicates there may be fairly good possibilities, the Morong power station is intended to use uranium bought from abroad.

About 17 per cent of present power generation comes from hydro-electric plants which have been established over the past 30 years. In the next ten years this figure is expected to rise to over 33 per cent. Its distribution is uneven though. It supplies half the grid in the main northern island, Luzon, nearly all on the southern island of Mindanao, but very little elsewhere.

The smallness of many of the islands making up the Philippines makes it more worthwhile to examine seemingly doubtful sources of energy which still could be used in outlying agricultural communities. Hence the Government's energy source development programme on solar, wind and biomass energy.

It considers the biggest potential lies in the use of agricultural and forestry wastes, trees and animal manure. Sugar cane is a major potential source of ethanol, which can be mixed with 85 per cent gasolene and still be used as a fuel.

The more futuristic researchers look at the possibility of using marginal agricultural lands (of which the Philippines has about 300,000 hectares) for the growth of fast-growing trees like the giant ipil-ipil for con-

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Rebels still active on two fronts

ALMOST TWO years after the signing of a ceasefire agreement, blood continues to spill in the southern Philippines, where no end is in sight to the festering six-year-old Moslem rebellion for self-rule, despite efforts by Indonesia and Malaysia to get the two sides back to the negotiating table.

The problem—the most serious armed threat to the martial law regime of President Marcos—is compounded by the fact that the armed forces also have to fight off Communist guerrillas on another front.

Mr. Marcos has claimed that the Moro National Liberation Front (MNLF) in the southern Mindanao and Sulu regions and the New People's Army (NPA), military arm of the Maoist Communist Party of the Philippines, have joined forces, citing as proof documents allegedly captured from Communist cadres, who are known to favour such an arrangement. Field commanders in Mindanao, however, do not agree, and say that, like oil and water, Communism and Islam do not mix.

Defence Minister Juan Ponce Enrile recently estimated the Communist strength at about ...00, with a mass base of ...000, and placed the number of active Moslem rebels at 20,000, including 13,000 armed regulars. The figures indicate the two dissident movements are much stronger than had been previously officially acknowledged.

A solution to both problems depends to a large extent on the amount of funds available to Mr. Marcos' Government without further denting the country's economic position. *Some observers think that Mr.* Marcos has tied the insurgencies to the negotiations with the United States on new economic and military treaties, in which one of the central issues is the amount of rental or military and economic aid Washington has to pay for its two military bases.

Reason

The Communist insurgency is decades old and was a major reason cited by Mr. Marcos in his martial law proclamation in September, 1972. After being crushed in the 1950s, when they were at Manila's doorstep, the movement was reorganised in 1968 by political science professor Jose Maria Sison, and the party's old Soviet line was forsaken in favour of Maoism.

From Central Luzon, the traditional hotbed of Communist activity, the revitalised party spread northward to the Cagayan-Isabela region, then southward to several provinces in the Visayas Islands of the Central Philippines and eventually further south to portions of Mindanao, including the Zamboanga Peninsula, where the MNLF is active.

The Government had always maintained that the party drew financial and arms support from China. But it is also known to have received handouts from politicians during election campaigns before 1972, apart from deriving steady income from a lucrative black market in goods from the two giant U.S. bases in Central Luzon and other ancillary services such as night clubs and prostitution.

While earlier this year the Government claimed to have dismantled the entire party apparatus with the death or capture of most of its central committee members, including chief ideologue Sison and NPA commander Bernabe Buscayno, Mr. Enrile said recently that the party has been "relatively successful" in its "expansional and organizational drives." *Where earlier Defence Ministry* spokesmen said the communist strength was no more than 2,000, Mr. Enrile's figure of 9,000 men and a mass base of 85,000 are slightly lower than the Government's figures of 10,000 armed men and a 100,000-strong mass base at the time of the martial law crackdown.

Most of the recent clashes between Government forces and the NPA have been centered in the Northern Luzon area, occasionally in Samar and Panay Islands in the Visayas, and in Davao and Zamboanga in Mindanao, where many of its leaders are reportedly women.

Mr. Enrile has, however, added a new twist to the communist movement. In June, he spoke of military intelligence uncovering what had been until then an unheard of "United Filipino Democratic Socialist Party." Although he did not say how strong it was, Mr. Enrile said the group, distinct from the Communist Party, had its own "National Liberation Army" and aimed at establishing a "democratic socialist republic" through armed struggle. "If not handled early enough, it will create a more dangerous situation," he said. Nothing has been heard of it since, however.

Since the breakdown of the ceasefire in Mindanao after the massacre of an army general and 34 of his officers and men during a peace meeting on the Moslem rebel island stronghold of Jolo last October, hundreds of people have been killed either in terror attacks attributed by the authorities to the rebels or in massive "police operations" backed by aerial and naval bombing to clear known rebel strongpoints.

Since its outbreak a month after Mr. Marcos proclaimed martial law, the southern war claimed up to the time of the truce the lives of between 30,000 and 50,000 civilians by Mr. Marcos' own estimate, not counting 20,000 combatants estimated killed and at least 1m people displaced. Defence officials are secretive on the number of people killed during the past year, but a field commander in Jolo said that in the four months immediately following the October massacre, at least 236 Government soldiers and more than 800 rebels were killed on the island alone. More than 100 people, many of them civilians, were killed in a new flareup of rebel activity in the south during a two-week period last month.

Warned

Although Mr. Marcos himself had said, when he opened the interim National Assembly in June, that the MNLF revolt had been beaten, he warned last month that unless the peace and order situation in Mindanao was checked immediately through "aggressive police action," there would be a "weakening in the civilian communities that will allow the rebel forces to grow and gather strength."

Prospects of the Government and the Moro Front returning to the conference table after the collapse in April last year of peace talks mediated by the Islamic conference are dim.

Apparently disturbed by the possible implications of the continued fighting in Mindanao on their own security, as well as that of the Association of South East Asian Nations (ASEAN), Indonesia and Malaysia called on the Philippines Government and the MNLF in May to resume the peace talks.

Mr. Marcos's reaction was not one to invite cheer. While saying he was gratified by the position taken by Indonesian President Suharto and Malaysian Premier Hussein Onn in their annual summit meeting, Mr. Marcos said new difficulties had arisen. The Philippines Government, which claims the MNLF has been fragmented into small outlaw bands by an alleged power struggle within its ranks, apparently no longer recognises the leadership of Libyan-based MNLF chairman, Nur Misuari, and says it will only negotiate with leaders capable of enforcing any agreement that may be worked out.

The peace talks broke down over MNLF demands for autonomy in 13 southern provinces, where the 2-4m Moslem population of this predominantly Christian nation of over 44m are concentrated. Philippines negotiators rejected the demands as virtually amounting to seccession, and both sides drifted further from a settlement when Mr. Marcos went ahead with a referendum in the 13 provinces over objections from the MNLF and its Islamic supporters on the way the questions were framed and on the manner the referendum was held.

In a speech marking the sixth anniversary of martial law last month, Mr. Marcos said it was now time to hold local elections in the 13 provinces according to the results of the referendum, in which the people rejected the MNLF leadership and voted for the Government's proposals for a limited form of antonomy. Mr. Marcos did not give any indication as to when the elections will be held, but they are almost certain to spark an escalation of rebel activity.

Defence Ministry sources say that intelligence reports show that the MNLF continues to train guerrillas in the East Malaysian state of Sabah, which the Government had said in the past was used by the rebels as a transit point for the smuggling in of Libyan-supplied arms. "This does not mean that the Sabah Government is behind it or knows about it," the sources said, adding that there were also indications that the rebels continue to receive foreign financial support, although "it is much less than it used to be." Libya's Moammar Gaddafy is known to be a staunch supporter of the MNLF.

Meanwhile, a group of Moslem and Christian leaders and scholars put out after a recent conference a paper stating that Government claims of development in the south were "misleading or simply untrue," and that reconciliation efforts were being set back by continuing abuses on both sides.

The statement said that, despite much publicity about the Government spending millions of dollars on the region's rehabilitation and development, what this actually amounted to was only "electrification here, a cemented road there, an irrigation project over there," and that most of the development programmes were "promisory notes on the future."

J. M. M. Suarez

Students, clergy and workers march through the streets of Manila in April to protest against the Government's handling of the national elections. Opposition leaders and marchers were arrested.

Energy

CONTINUED FROM PREVIOUS PAGE

...sion into solid, liquid or ...eous fuels.

The extent of the current ...rt of the Philippines to ...nge the nature of its energy ...iciency to its advantage is ...pressive, but because of the *...wth of energy demand its oil* ...ports will increase even if ...ir ratio to total demand de...es. This means therefore ...t an oil price increase would ... have a debilitating effect.

...n pure status terms the ...ernment efforts have meant ... the Philippines National Oil Company has leapt from nowhere into position 264 of Fortune Magazine's yearly list of the top 500 corporations outside the U.S. There have been doubts about the willingness of foreign exploration companies *to sink money into Philippine* contract areas. It now seems as if, just as with the initial finding of oil a year to 18 months ago, this part of the economy is in need of another major find to boost morale.

S.H.

Drawing water in a Philippines village.

Bigger crops but prices erratic

AGRICULTURE IN the Philippines seems likely to show an increase in production again this year, which will mean record overall growth for the third year running. Last year the increase was 6.1 per cent. The value of the commercial crops on the other hand—especially sugar and tobacco—is likely to show a continuing fall, although this will be offset by good prices for coconuts in which the Philippines is the world leader.

The main bright spot is the continuing surplus of rice and the self-sufficiency in corn for human consumption. However, experts consider that the rice success is as much due to lack of typhoons and improvements in irrigation as to any Government programme. Corn for animal feed still has to be imported. The term "surplus" for rice is also still largely semantic as it only amounted to a few hundred thousand tonnes and sales to other ASEAN countries were at less than market price. Nonetheless the performance is well beyond what would have been expected a few years ago.

In a recent interview the Agriculture Minister, Mr. Arturo Tanco, said of other crops that banana output would not increase much since the Japanese market was pretty well saturated and the Middle East market only just beginning to develop. He also said that cotton production would be back to average levels this year after being hurt last year by pests. Acreage would more than double.

The diversity of climate among the islands has also meant that, although some have had good rainfall, others have had drought. Tobacco crops and banana plantations on the southern island of Mindanao were among those affected by lack of water in 1977, according to a Central Bank report. In meeting the food demands of the population, however, the position has been helped by the vegetable harvest leaping ahead, with almost all varieties giving good crops last year.

Predicting good general crops for this year, the Agriculture Minister has pointed out that farmers' purchases of fertilizers are up 27 per cent in volume terms for the first half of the year.

Including fishery and forestry, agriculture is the largest sector in the economy, employing half the labour force, controlling one-third of the net domestic product and contributing two-thirds of the country's export earnings.

Government policy in the sector has been to ensure greater prosperity and stabilisation of incomes, introduce land reform and prevent a drift towards the towns. The main thrust has been the Masagana 99 rice production programme, which is now in its sixth year, and the Masaganang Maisau corn production programme. Both have involved distribution of high-yield seed varieties, credit schemes, provision of fertiliser, pesticides and modern agricultural techniques. There have also been other projects such as the Palayan NG Bayan scheme to open up uncultivated lands to production of rice, corn and other staples, and one to improve the production of vegetables grown on small garden plots reaching the commercial market.

Livestock

A weakness in Philippines agriculture is the amount of dairy products which still has to be imported, about 95 per cent of total needs. Beef also has to be imported, although admittedly tropical conditions are poor for cows, the pasture-lands being marginal. There are a couple of livestock development farms but one expert considers them merely "on the books." Often ranches are just a way for big landowners to avoid land reform to which they are not subject if they do not have tenant farmers.

The division of responsibilities through several Ministries and departments is another weakness—there are separate Ministries for agriculture, agrarian reform, forestry and human settlements, and separate departments and marketing agencies for sugar, coconuts and rice. There are also complaints of lack of co-ordination between three different agricultural extension agencies.

Part of agriculture's success in recent years has been due to rural credit. The repayment rate is now 81 per cent, which Government officials look upon as good, and, which they say, compares well with industry. Outside experts report a decline in the use of the credit, because Government-sponsored money came too late and was held back from those who were late in repaying previous loans. (Money instead was being sought from millowners, banks and friends—all the old forms.) Official figures suffer from almost a year time lag but would also appear to confirm this. The total amount available last year from both public and private sources was fractionally lower than the figure for 1976.

For those participating in the Government's supervised credit scheme crop insurance is now being provided, although initially only for rice. It will give cover against weather, plant disease and insects. The insurance is optional for the self-financed farmers. In return, those who participate must be supervised by Masagana 99 technicians.

In a bid to boost ancillary industries the government has just announced a programme of tax incentives for those enterprises which produce or process agricultural products or fish. This sort of business had been allowed to benefit from previous incentives to general industry given by the Board of Investments, but a Government official explained that weather and varying commodity prices had made the area a risk business, and further incentives were necessary. The new law will allow tax deductions for the cost of transporting the goods, for research and development, for the cost of new building, roads and bridges, and for maintaining them. Breeding stock will also be considered as capital equipment.

The picture on the smaller crops, apart from rice and corn, is more varied. Tobacco is down and more imports were reported last year to balance demand for certain types. Extremely dry weather is not helping. The longer term outlook is more optimistic, with a switch towards Virginia and burley in preference to native tobacco.

The coffee crop has been good, with production up 5 per cent and exports increasing by more than 40 per cent to 17,000 tonnes. The decline in prices is still considered favourable to producers. On the other hand fears have been expressed that, after the signing of the international coffee agreement in October, there will be a loss of markets since the Philippines is not a signatory.

Forestry

A blight on the side of agriculture has been the forestry programme, which in recent years has been ambitious to the point of being out of control in the pursuit of export earnings. Anxiety is openly expressed about the wholesale logging, which not only outstrips efforts at reafforestation but also results in soil erosion and silting of dams and rivers. There are complaints of lack of co-ordination in the replanting programme and that dams with a projected life of 100 years will now be useless after 75. Flooding can also result.

For the moment the general optimism hides continuing difficulties and uncertainties, mainly concerning world commodity prices. The Government intervention has helped to stabilise these effects, but there is constant anxiety over margins on Government support prices. Also land reform and the better provision of extension services still have a long way to go. Whatever improvements are made could still be ruined by a season of bad weather, and limitations because of the widely dispersed islands also lead to uncertain markets and the persistence of marginal agriculture.

S.H.

Hotels still looking for business

THE PHILIPPINES is apparently overcoming its surplus of hotel rooms which were a legacy of the 1976 IMF conference in Manila. The huge debts incurred in the building projects no longer seem so awesome as the tourist statistics creep towards the magic figure of 1m visitors a year.

But although Manila is probably becoming more familiar to the world tourist, the country's tourist potential will, according to some local hotel managers, still lie very much in the future and a lot more work has to be done in terms of promotion and ensuring a profitable business. The fourteen new hotels built in Manila in the last four years added 8,000 rooms and they still have to "hustle" for business, trying to underbid each other and warding off the worst deals of travel agents abroad who take full advantage of the position.

The UNCTAD conference next May is the next major milestone in the development of Manila as a convention centre, and the *Karpov-Korchnoi chess championship*, which has been fought out in recent weeks at the hill resort of Baguio in the centre of Luzon Island, is an indication of the major sporting events which the Philippines can attract. The profitability of such ventures is another matter.

Explanations for the unprecedented growth of the Philippines as a tourist attraction lie, according to those directly involved, in the more stable political atmosphere of recent years—they mention the signs "Please deposit your side arm in the foyer" which hotels had to display before martial law was imposed in 1972 in a bid to stop the wild west atmosphere *of Manila from impinging* directly on visitors. Even now, however, Manila remains a town with plenty of bright lights and streets teeming with bars and restaurants, while just offshore a brightly lit floating casino tempts those with bigger money.

Confident

The Under-Secretary for Tourism, Mr. Gregorio Araneta II, seems fully confident of achieving greater growth and a substantial share of western tourism to the ASEAN countries. English, he says, is far more widely spoken in the Philippines than in the other countries. For the moment, however, he is restricted by having the third lowest budget of any government department, the equivalent of less than $9m. With this he is running a Government department and an executive arm, the Philippines Tourist Authority. The Government is only now setting up more tourist offices abroad.

The attractions of the Philippines are many. The main season for tourists is the summer months from January to May. In the latter part of the year, especially in the north of the country, typhoons may lead to days of rain or even worse disruption. The 7,100 islands present a huge range of white sand beaches, mountains, volcanoes, rivers in roaring gorges and tropical jungle. Manila has probably the liveliest night life in Asia and an increasing number of excellent restaurants.

The wide use of the English language and the genuinely friendly and helpful attitude of the people make light of the frustrations of travelling. Historically, the Philippines is a mix of the basic Malay stock changed by successive Spanish and American colonial influences with a dose of the Orient from the Chinese culture based just a few hundred miles to the north.

There is more than a hint, however, of Latin America in the colour and vibrancy of life. One example is the new buses brought into Manila for longer urban routes, which are air-conditioned and which the local authority has termed "love buses"—the slogan is written on the side of each, inside a huge red heart. Passengers are entertained to stereo music from cassettes. The other main form of public transport—"jeepneys," gaily coloured converted jeeps *—offer similar entertainment.* Nor is this quality a reaction to a more official and staid society around government, for even in the Department of Inland Revenue there is piped pop music in the corridors.

There are, of course, dangers for the more adventurous tourist. The southern island of Mindanao is affected by the Muslim insurgency, and movement is restricted outside towns. And even inside the city limits terrorist incidents sometimes occur. Mr. Araneta admits that he had to cancel a recent trip to a resort on the island because there had been an ambush on the road. He hardly lets it affect the rest of his confidence, *shrugging it off with a catch* phrase, "terrorism and tourism do not mix." Elsewhere on the islands, the smaller left-wing movement, the New Peoples Army, also effectively curtails other tourist activity.

Intrepid travellers who might be disappointed by these features are comparatively few, and so they have little apparent effect on, say, charter groups. As it is Mr. Araneta admits to a less than enthusiastic welcome for hippies and obviously prefers the rewarding charter groups. He expresses some disappointment that airlines were not anxious to use airports other than Manila, but says the domestic services of Philippine Airlines provide good connections to other islands.

Quarter

About a quarter of tourist *inflow comes from the U.S. or* from overseas Filipinos (who often live in America), and although it is a long way the new 50 per cent cross-Pacific charters help to maintain the attraction of the route.

A similar proportion comes from Japan, the largest single national group, for with the Philippine peso effectively pegged to the dollar, the value of the yen is enormous. Officials say that the Japanese traffic is back to normal after a scare last year after a returning group caught cholera. The Philippines maintains that the disease did not originate in the islands.

British tourists are the next largest group, with about 8 per cent of the market, with Australia a couple of percentage points behind. Filipinos tend to play down the significance of their island to the Australian market. For those not familiar with the geography it is a flight of about seven hours involving a time change of three hours. Other ASEAN countries are very much closer.

About 6 per cent of the market are Hong Kong Chinese, who have become a centre of controversy because of strict regulations regarding their entry. In order to make sure they do not stay on as illegal residents, the Philippines Government has been requiring them to deposit their certificate of identity on arrival at Manila Airport, stay only ten days and change into pesos $200 a head. Government ministers have now said they will try to cut through this red tape.

For thousands of Chinese from Singapore and Hong Kong, Manila was the place this year to spend the Chinese new year, with the result that most of the Manila hotels were fully booked. This year the average occupancy has risen to 60 per cent, a dramatic increase over the mere 35 per cent of last year. Although 70-75 per cent is considered the best operating *figure, that day is not* obviously so far off.

S.H.

The Karpov-Korchnoi world chess championship match is still being fought out at the hill resort of Bagnio.

Good minerals prospects

THE PHILIPPINE mining industry is barely over the hump of its troubles. Yet it has been reopening closed mines, developing new ones, and even moving forward into smelting and refining. Significantly, overseas creditors are providing financial accommodation, probably reflecting not only an improvement, however slight, in the market for mineral products but also continuing liquidity in international money centres.

But judging from the remarks of those in the industry, the overall mood is at best cautiously optimistic. At least one major copper producer regards the current price recovery as suspect. The behaviour of nickel is erratic, and that of chrome only a little better. Only gold right now commands a good price, but the benefits of bullion movements are locally being negated by rising costs.

Earnings performances reveal cross-currents on a first quarter basis, net income of three members of the copper "Big Four" was higher: 52.7bn pesos this year from 35.8bn last year for Marcopper Mining Corporation: 24.41bn from 17.9bn for Lepanto Consolidated Mining Company and to 71.7bn pesos from 53.1bn for Philex Mining Company.

Plunged

On the other hand net income of Atlas Consolidated Mining and Development Corporation, the country's leading copper producer, plunged to 10.5bn pesos from 65.5bn. While copper concentrate exports fetched more or less the same price abroad the difference in operational fortunes seemed to be in production costs—which turned *out to be higher* for Atlas compared with the three others in the "Big Four."

Marinduque Mining and Industrial Corporation, the country's biggest nickel producer which also operates a copper division and a cement division, incurred a net loss of 64.56bn pesos in January-June this year, bigger than the net loss of 17.22m in the corresponding period last year. Higher production and bigger sales were more than offset by a heavier debt service load. Marinduque's financial charges jumped to 107.62m pesos from a previous 74.51m.

There was a reduction in the net income of the leading chromite producer, Consolidated Mines Incorporated, which has just put into production a copper property. The earnings reduction was to 21.06m pesos from 23.82m on a first-quarter basis. Benguet Consolidated Incorporated, the biggest primary gold producer, earned 48.35m pesos net in January-June this year, 64 per cent above the corresponding period last year, but the improvement was mostly due to a strong earnings performance of its money-making non-mining subsidiary, Engineering Equipment Incorporated.

Whatever is indicated by market trends and the profitability picture, the mining industry is alive with expansionist activity. One new company, Superior Mining and Industrial Corporation, recently joined the ranks of producers when it shipped 1,000 metric tonnes of metallurgical chromite to Japan from its property in Opol, Misamis Oriental, Southern Philippines. It is preparing a 2,000-tonne ore shipment to Europe for the first week of next month.

Barring last-minute hitches, two other new mining groups will be in commercial operation before this month is over. One is Ore-Philippines Mining and Industrial Corporation, which is mining direct shipping-grade copper ore in Carawisan, Antique, Central Philippines. The other is Sabena Mining Corporation, which is about to complete a $15m mill at its mining property in New Bataan, Negros Occidental, also in Central Philippines.

Early this month one old concern which closed its copper concentrator in November last year and confined activity to waste stripping resumed ore extraction. Western Minolco Corporation said it will re-open its concentrator next December for a full return to production. Its mining-concentrator facilities are in the Baguio mining district of northern Luzon.

Two other old producers, both in gold mining, plan to resume operations shortly. They are Atok Big Wedge Mining Company in the Baguio gold mining district and Manila Mining Company whose property is in Surigao, Mindanao, Southern Philippines. Both closed their mines sometime in 1976 at the height of the market slump. Recently Atok Big Wedge increased its capital from 6m to 60m pesos—preparatory, it said, to re-opening its mine late this year or early next.

The big companies have new projects too. For example, Benguet Consolidated is developing a recently acquired copper-silver mine of Dizon Mining Company in Zambales, the Luzon province along the China Sea coast. Atlas Consolidated is reviving its gold project in Arorgy, Masbate Island, Central Philippines. It also plans to set up a molybdenum concentrate plant in Toledo, Cebu, Central Philippines, in order to maximise recovery of the molybdenum content of the same Toledo orebody yielding copper and by-product gold and silver.

Marinduque Mining is thinking of setting up a cobalt plant to produce refined cobalt out of the by-product of its nickel *mining*-refining operations in Nonoc, Surigao, Southern Philippines. Marinduque also plans to resume production at its Bagacay copper mine and mill in Samar, Central Philippines, following development of additional ore reserves. Milling was suspended a year ago owing to reserves depletion and a then still very poor market for copper.

As for Marcopper Mining, it wants to develop its San Antonio mine near its operating Taipan mine on Marinduque Island, Central Philippines, into another minable ore source as the reserves of Taipan are mined out year after year. Lepanto Consolidated and Philex Mining are just about the only major producers without new projects, though Lepanto has a piece of the action in the rehabilitation of Manila Mining under an operating agreement.

Financed

The Dizon copper project of Benguet Consolidated is being financed by foreign loans and suppliers' credits from various sources, with a combined funding of $43m. There is an available credit line from overseas financiers for the Arorv gold project of Atlas Consolidated. It is understood that there are *offers* of foreign financing for *the San Antonio copper project* of Marcopper Mining and the Nonoc cobalt project of Marinduque Mining. The only obstacle is that the Philippines this year reached the ceiling on foreign borrowings imposed by the International Monetary Fund (IMF).

The two recent financial accommodations, therefore, are either of the debt refinancing or loan restructure type, not covered by the IMF restrictions. One of them is a $62m loan syndicated by American Express International Banking Corporation for Consolidated Mines. It will be used by the local chromite-copper producer to refinance obligations arising out of old loans of $57m in connection with its Ino copper project on Marinduque Island.

The other involves an $80m loan syndicated by San Francisco's Bank of America and Hong Kong's Wardley group in 1976 for Atlas Consolidated in connection with the company's new Carmen copper project also in Toledo, Cebu. Under a recently signed agreement the creditors reduced the loan interest from 2 per cent to 1¾ per cent above London Interbank rate, suspended amortisation payments for three years and granted Atlas a new standby credit line of $30m.

In agreeing to the loan restructuring the lenders noted not only a turn for the better in copper price movements but also a revised contract between Japan's Mitsubishi Metal Company and Atlas Consolidated favourable to the local company. Under this contract *Mitsubishi cut its smelting* charge on Atlas copper concentrate by US5 cents per pound from last July, thereby considerably bolstering the Atlas earnings potential.

Apart from Atlas Consolidated's molybdenum plant and Marinduque Mining's cobalt refinery, the other forward integration move in the mining industry is that involving copper smelting. This a joint venture between the private copper mines and the Government. It has been in the organisation stage for the past two years but the question of smelter site has not yet been finally settled and there is no firm decision yet on whether or not the project will be undertaken on a turn-key basis.

After looking over a number of potential locations a site in Batangas Province, just south of Manila, was chosen. This had to be given up as the locals raised strong objections on environmental grounds. The tentative alternative is an area near Ormoc City in Leyte, Central Philippines, where geothermal power is being developed and the population, so far at least, seems amenable to the idea of having the smelter in their locality.

For the gold mining sector of the industry, one significant development is the start last January of the Central Bank (CB) gold refinery. It is still operating below capacity, however, since it refines only the output of primary gold producers like Benguet Consolidated. Output of secondary producers like Philex Mining, *whose copper concentrate contains* gold as a by-product, is still refined abroad under concentrate export contracts. The CB refinery will not be able to refine gold by-product until after the copper smelter project becomes operational.

Last year the combined production of primary gold producers reached only 4.478bn grammes, whereas secondary producers of the metal turned out up to 12.857bn. With the prospect of under-capacity refining until the copper smelter project reaches the production stage, the CB refinery is seeking job orders from outside gold producers.

Leo Gonzaga

Exports problem for textiles

The Philippines textile industry has received encouragement in some export markets, but it remains too fragmented to make modernisation an easy task.

THE TEXTILE industry contains several contradictions. It suffers from wide variations in efficiency and quality, and is being pushed in the direction of exports when most industrialised countries are being increasingly restrictive over quotas.

But there are signs that the position is improving and that, starting from a very much lower base, it can begin to fill in gaps left by the Asian textile giants in Taiwan, Hong Kong and South Korea as these countries head in the industrial direction of Japan.

Optimism that textile exports will continue to grow, though at a more modest pace, is based largely on the new agreement signed with the U.S.—the industry's main export outlet—at the beginning of September. By agreeing on greater flexibility the Philippines has in effect won up to a 35 per cent increase in some of the more important categories, although at the same time the overall effect is in line with the wishes of American domestic manufacturers wanting to maintain the previous pattern of protectionism.

The agreement has been hailed as "terrific" by the deputy Minister of Trade, Mr. Vicente Valdepenas, Jr., and in an interview the president of the Confederation of Textiles and Garments Exporters, Mr. Antonio Carag, said it was better than expected. The quotas were higher than anticipated, he added, and if in volume terms they compared unfavourably with those of Hong Kong, Taiwan and South Korea, it was because of the low base they were operating from. That was not the fault of the U.S. He implied that if the figures had been higher the local Philippines manufacturers would have had great difficulty in achieving the necessary output.

Flexibility

The unique nature of the latest agreement is the swopping of flexibility—the carrying forward or borrowing from the future quotas—in return for the basic increase. In a recent article Mr. Valdepenas wrote that this agreement was achieved when the U.S. was at most maintaining or in fact rolling back the levels applied to all other exporting countries including Singapore, Thailand and Malaysia (countries directly comparable with the Philippines).

The main features of the agreement are that it runs for five years retroactively from January 1, superseding the existing set of quotas, and the aggregate quota for 1978 is raised from 219m square yards to 2555.1m for permitted exports. The most important aspect of this is in the garment categories, for the Philippines exports very little in terms of yarns and unfinished fabrics. Various categories have received a big boost before settling back to an annual 3 per cent increase. The new agreement sets yardage quotas for every one of the five years up to 1982.

In all there are 21 categories for which the U.S. quotas will be raised or reduced significantly. The most notable increases in cotton products are men's and boys' coats, trousers, and women's and girls' trousers: women's and girls' coats and sweaters take cuts. In man-made fibres the main increase is in blouses. The total number of categories which the Philippines textile industry can be considered to have includes 28 "most important" and 16 of the so-called "consultative."

From the American point of view the new agreement is more rigid and therefore clearer. For Filipinos the impact of the agreement is expected to be an opening out of the market. Thus there is a possibility that Filipino opinions of the favourability of the agreement will fade after a year or two and there might have to be some renegotiation. It would not be too far-fetched either if the whole argument over textiles impigned on the greater differences between the two countries over alleged human rights violations and the principle on which the military facilities at Clark Base and Subic Bay are maintained.

A major issue is whether the local textile industry has the sufficient resolve to put its own house in order to take best advantage of the possibilities ahead of it. There are signs of entrenched opinion which might not be persuaded to think of the possibilities. A report prepared by a committee under the now former deputy Secretary of Industry, Mr. Gabrion Itchon, effectively studying the chances of lowering of customs duties and hence of making the industry more competitive, never appeared.

The overall performance of the industry is very patchy, with the clothing sector prospering but the mills producing yarn and fabric facing problems of bad management, poor capital structures and protectionism. The large domestic market of 43m enables these problems to remain and the manufacturers provide a powerful lobby against change.

Even the clothing sector relies to an extent on the strong tradition of trading with New York and elsewhere in America that it has built up historically—the excellent local embroidery and specialisation in gloves and children's clothes. It is insufficiently growth-conscious though and the largely unskilled female labour does not begin to compete with that of Hong Kong, Taiwan and South Korea.

Poor

Domestic yarn is of very poor quality, according to experts, leading to the less than advantageous position that for the export overseas markets most of the yarn has to be imported—it is in fact both better and cheaper. Some categories though are internationally acceptable, notably good cotton yarn. Domestic cord, denim and shirting material is comparable with overseas products but more expensive.

Exports of garments and textiles are now valued at \$250m annually, making it one of the most important non-traditional export products. Looking into the future one manufacturer sees the potential of Europe replacing the U.S. as the major market. At present the U.S. takes 60 per cent of garment exports.

The Philippines, he says, must look to increasing the value of its individual items and Europe has always been ready to pay a higher price. In addition, the larger population of the European Community is more attractive. It will take time though—he thinks 10 to 15 years. For the time being further increases in Europe remain difficult under the new quota arrangements.

One or two other potential hazards exist. On the question of finance there is a lack of long-term funds required for expansion; short-term needs are met by the commercial banks. Import procedures are also complicated and the consequent difficulties with raw materials lead to production delays and non-fulfillment of quotas. On the other side, though, improvement in efficiency is made difficult by the segment which still operates as a cottage industry, and those concerns which might ask to be nationalised if tariffs were lowered.

On the political side the Philippines has so far been lucky in escaping the fate of other countries in the region over the Chinese minority tensions, for it is the Chinese who dominate the industry.

S.H.

Ambitious coconut schemes

WITH THE continuing slump in the world sugar market, coconut has taken over in recent years as the Philippines' primary export industry, accounting for \$763.4m in 1977, or slightly over 24 per cent of the country's total export earnings. In the first six months of this year exports of coconut products reached \$398.6m, 8 per cent higher than the \$367.9m of the corresponding half of 1977.

Roughly 22 per cent—2.8m hectares—of the country's agricultural land is planted with coconut and an average annual production of more than 2m tonnes of copra makes the Philippines the world's biggest producer and exporter of coconut products. But what these figures do not reveal are the problems that have plagued the industry for years—notably low productivity and fragmented farms.

Production for 1978 is officially forecast at 2.556m tonnes, 10 per cent above the previous year but still below the record 2.7m tonnes of 1976. Exports for the first six months of the year, estimated at just over 1m. tonnes, were 17.5 per cent higher than in the corresponding period in 1977, when because of a significant decline in production, export volume in the first nine months dipped by 27 per cent on the corresponding period of 1976.

The effect on this year's production of low rainfall during the past two years has apparently been offset by an increase in the number of fruit-bearing trees—a factor some sources feel has been underestimated. The number is now estimated at 390m. of which 330m are fruit-bearing. The number in 1977 was 377m, of which 313m, or 83 per cent of the total, were fruit-bearing. In 1976 there were 349m coconut trees, with 15 per cent of them non-bearing.

While there is no doubt the increase in the number of productive trees, there has been no marked improvement in the ratio of fruit-bearing to non-bearing trees, indicating a pressing need for plant rejuvenation and better culture technology at the farm level.

Shift

There has been a substantial shift from the export of copra towards processed products. By 1976 copra accounted for only 38.6 per cent of total coconut exports and went down further to 27.9 per cent last year. Coconut oil rose to 57.6 per cent in 1976 and again to 65.7 per cent last year.

Aside from the fact that coconut continues to be a smallholders' crop—most of the farms are between only two and four hectares and only 5 per cent of all plantations range from four to 20 hectares—productivity of local varieties is low.

The Philippine Coconut Authority (PCA) says local varieties produce only about 1.5 tonnes of copra (4,500 nuts) per hectare against four to five tonnes (20,000 nuts) produced by the best foreign hybride. At an annual average price of 100 pesos (about \$13.33) per 100 kg of copra at the farm gate, a coconut farmer with only two hectares would earn some 2,000 pesos (about \$266) only a year from his farm.

Low production has also forced the country's coconut oil mills to operate at rates ranging from 51 to 76 per cent of their rated capacity between 1965 and 1977. Last year the existing 53 mills operated at only 65 per cent of their annual rated capacity of 3.129m tonnes of copra.

In an effort to increase production and maintain the Philippines' dominant position, an ambitious national replanting programme is to start in 1980. It calls for the replacement of the entire coconut stand by an early-bearing and proliferate hybrid developed in the Ivory Coast. Replanting is expected to continue for 80 years, and the PCA has announced—despite objections from certain scientific quarters that the imported variety has not been fully tested under local conditions—that it is pushing through with the scheme until a better one is found. One area where the local industry has failed miserably is in research on hybrids.

As an incentive to accept the new hybrid, farmers are promised an annual 1,000 pesos (about \$133) for five years for every hectare replanted with the new variety, expected to bear fruit in the fifth year. The subsidy will come from the Coconut Consumers Stabilisation Fund, part of which is now being used to finance the operations of a privately-run, 1,500-hectare hybrid seednut farm.

The fund, established by the Government through a levy imposed on producers in 1973, amounted to 4.337bn pesos (roughly \$581m) at the end of June. The levy has varied from year to year and now stands at 60 centavos (8 U.S. cents) per kilo of copra, of which 20 centavos is earmarked for the replanting programme, 12 for a subsidy programme to support the sale at "socialised prices" of coconut-based prime commodities like cooking oil, laundry soap and canned evaporated filled milk, with the rest going to investment projects for farmers, research, insurance for farmers and scholarships for their children.

Although the Coconut Producers' Federation claims it was at the insistence of the farmers themselves that the levy, originally envisaged to last only a year, was continued indefinitely, a well placed source in the United Coconut Association of the Philippines says the farmers, already saddled by low incomes, are not happy with the idea of having to pay the levy. If they have not raised a loud howl so far it is because the farmers are small and a great many of them "don't really have an idea of what is going on."

There have been instances of embezzlement of the subsidy, and the Government started recently to crack down on the operators.

The subsidy programme has been in the limelight in recent months, specially since the Government approved an increase in the prices of coconut-based prime commodities because of the depletion of the subsidy fund. An upward adjustment in the price of copra was also made, with President Marcos imposing a 5 per cent tax on the "unearned increment" on existing inventories of manufacturers.

Protested

Consumer groups protested and brought the matter to the Supreme Court, which immediately ordered a price rollback. What followed was near-chaos. Cooking oil disappeared from grocery and market stalls and some manufacturers of coconut-based prime commodities threatened to stop manufacturing operations altogether. On the other hand indignant copra producers threatened to withdraw their subsidy if consumers, many of whom had the mistaken notion that the subsidy came from the Government, insisted that coconut producers shoulder the amount needed to roll back the prices.

The controversy has quietened down considerably but remains far from settled.

J.M.M.S

Pay policy at bay

By CHRISTIAN TYLER, Labour Editor in Blackpool

THE BRITISH Government appears to have set itself an almost impossible task. It has staked its electoral future on successful observance of a 5 per cent limit on pay settlements, and staked it in such a way that there can be no convincing excuses when the first failure occurs.

Trade union leaders have long been aware that they would be unable to take their members into accepting 5 per cent this year—even if they had wanted to do so. They therefore assumed that Mr. James Callaghan's sermons about wages, in which the Prime Minister has been inviting the unions to gaze into the awful pit of economic chaos, were mainly designed to impress the voters on the eve of a general election.

In other words, many expected an October election and calculated that a victorious Labour Government would be able to decide anew how firmly to face the inevitable pay onslaught.

The TUC, therefore, bent over backwards, both before and during its annual Congress in Brighton last month, to blur the stark contrast between its support for the Labour Government and its condemnation of Mr. Callaghan's incomes policy.

The moment Mr. Callaghan told the country that he was not calling an October election, it became obvious that Britain was in for a clamorous and possibly strike-ridden winter. It was a decision some would call foolhardy and the chickens are coming home to roost. This week's Labour Party conference in Blackpool is likely to be dominated by the single issue of wage controls, even if the issue does not explode publicly in the Cabinet's face.

It is not so much a question of whether the policy will be rejected by the conference—with nearly 6m trade union votes liable to be thrown against it, it cannot possibly survive the public debate. Rather, it is a question of how much flak the Cabinet will have to receive from trade union leaders and the hawks of the left wing of the party's National Executive Committee.

Mr. Callaghan may be able to live without trade union support for the kernel of his counter-inflation strategy, but it is to be wondered how long he would be prepared to fight against both the TUC and his own party. He might even find himself in the sort of "who governs?" election that brought Mr. Heath to grief in 1974. Already Mr. Joe Gormley, president of the miners' union, has suggested publicly the possibility of a coalfield strike ballot if only 5 per cent is offered to the miners next February.

Virility

But long before then, the Government will have faced the first test of its policy's virility in the shape of the wage settlement at Ford Motor. And that really is what the Ford strike is—a virility test, enacted by both the Government and the unions. That is why the company has been dismayed by what it sees as a political strike against the pay policy, rather than industrial action in support of the union's £20-a-week claim.

There is no reason, in theory at least, why a Ford settlement worth more than 5 per cent on basic earnings should automatically be followed elsewhere. So much was made clear last time round. Few other settlements appeared to exceed the 10 per cent on basic earnings (though of course those that exceeded 10 per cent overall were mainly those which had productivity payments, real or bogus, added in).

Far more important to the general credibility of Stage Four—which, we now learn, the Government wants us to call "the 1978-79 pay round"—is what the 1m council workers do.

If they go on strike, and there are plenty of noises being made by the union leadership, then the public will really start to complain. Mr. Callaghan said recently that his only real weapon for enforcing the pay policy was public opinion. Public opinion may take little notice of a Ford strike and may support the Government against it; but if rubbish starts piling up on the doorstep, the public mood could be very different.

The wage claims drawn up for these and other public service workers — hospital staff and ambulancemen among them — are much more perilous for the Government. If public service workers strike, and the Government is eventually compelled to give in, that would be the end of all obedience to the 5 per cent guideline.

The whole logic of the incomes policy is based on Government control, through cash limits of the public sector wage increases. Fierce application of that control, it is supposed, will encourage the private sector to treat the pay policy with respect and stand firm in the face of strikes. But if the public service workers break through, a new going rate will really have been established.

There were plenty of people to forecast last year that Stage Three, since it lacked formal TUC support, would be discredited by one group of workers or another. In the event, because of the interest that Ford's breakthrough evoked, the Government clamped down hard. If the Government's action notably in the face of the firemen's strike, had real influence, it was still not strong enough to prevent the Stage Three 10 per cent target being exceeded by more than four percentage points.

There is nothing to stop the Government claiming a success for Stage Four, as it did for Stage Three, even if earnings rise by 10 or 11 per cent over the next 12 months though the unofficial target for the total increase of earnings is 7 per cent.

There are, however, considerable differences between this year and last year. There are now three years, not two, of pay distortions and unrelieved negotiating pressures to be faced. Besides, 5 per cent looks a lot less generous than 10 per cent, even though it is nearer to the current rate of inflation than was last year's target figure. Again, the Government is taking a much more aggressive line, from the very outset of the bargaining season.

Stage Four differs from its predecessor in some subtle but important respects, and civil servants have further restricted everyone's room for manoeuvre in their detailed guidance on how the policy is to be applied. As a result, any small breach of the White Paper rules is likely to grab the headlines and convey the impression that the whole strategy is being undermined.

This point is best illustrated by the description of the limit itself. Last time, the Government decided not to quote a limit on pay settlements; it quoted a target of 10 per cent for the increase of earnings throughout the economy. It merely said that settlements should be in single figures, but did nothing to destroy the general assumption at the start of that round that 10 per cent was to be regarded as an average for settlements. Of course, 10 per cent quickly became the norm; and because it became the norm, the Government began to treat it as the limit.

This time, the Chancellor has decided to go on to the other tack by quoting the limit on settlements (5 per cent), not the target for earnings, which is 7 per cent (or perhaps higher, in the Chancellor's mind). In this way, he hopes to come nearer his earnings target than last time. But most of the forecasts so far are that wage earnings will rise by somewhere between 10 and 12 per cent in the next year, and Mr. Healey has acknowledged that possibility.

Strangely enough, the Government wrote a relatively loose incomes policy last year, at a time when the trade unions were not generally ready to make war. This summer, when the unions were becoming more and more uncomfortable in the straitjacket, the Government (or the Treasury), decided to tighten up further. The theory used to be that policies become more flexible as they progress rather than less so.

To make matters worse, the Ford unions have started off the wage round with a refusal to discuss a productivity deal, even though Ford has broken its own rules by offering one, however tentatively. The Transport and General Workers' Union, in particular, has declared that it cannot talk productivity until the company offers more than 5 per cent—that is, until the union has won the principle of free collective bargaining.

Loophole

However the Ford problem is resolved—whether by productivity bargain or some other way—the round has begun with unions refusing to use the productivity loophole for winning increases over and above the limit: another "virility test" being applied.

If unions involved in other negotiations start saying the same thing, the chances for the 5 per cent limit will look bleaker still.

Another feature of this round is the extent to which government departments are prepared to go to stop the kind of wage drift that helped to hoist the final figure last time. Rules about offsetting wage drift existed last year, but never attracted any attention. This time employers will be told that their paper settlements will in many cases have to be for less than 5 per cent, so that money paid out during the year for things like promotion, extra staff, and regrading is taken into account. The extent to which an employer's pay bill increases because of extra amounts of overtime will not, it seems, need to be offset in this way.

Essentially, what this rule means is that employers will be told to produce their pay bill for the previous 12 months and compare that with the negotiated settlement under Stage Three. If the former exceeds the latter they will be told to assume, unless they can prove otherwise, that the amount of wage drift will be the same as last time. It is yet another restriction on negotiators' freedom within the 5 per cent. Incidentally, speculation that the local authority employers will have this problem may after all prove wrong.

Add together the rigidity of the policy, the Government's determination not to give an inch, the warnings from union leaders and Labour left of industrial confrontation and electoral defeat, and the public battle in the conference hall at Blackpool this week, and it becomes clear that the climate is very different this autumn.

Comparisons are already being made with 1968 and the controversy over In Place of Strife, the then Labour Government's blueprint for legislation to regulate industrial relations. Some argue that although the blueprint was withdrawn the controversy helped to lose the 1970 election for Labour. This time, an election could be much closer. Whatever happens, the Conservatives will derive plenty of satisfaction from the sight of a Labour Government facing precisely the sort of confrontation with the unions that was supposed to occur only when the Tories gained office.

MAJOR GROUPS DUE TO LODGE … JANUARY

GROUP	NUMBERS	SETTLEMENT DUE FROM	CLAIM
Heating and ventilating engineers	18,000	August	Up to 47%.
Plumbers	30,000	August	"Substantial"—settlement likely to be close to that of heating and ventilating engineers.
BBC weekly-paid	6,000	August	No claim submitted yet.
Vauxhall manuals	26,000	September	Substantial.
British Oxygen gases division manuals	3,000	September	Substantial.
Police*	120,000	September	20% to be paid as first part of staged award of 40% over two years.
Ford manuals	57,000	October	25%.
Atomic energy workers	9,000	October	Up to 20%.
University teachers*	35,000	October	6% as part of staged award.
BBC monthly-paid	19,000	October	No claim yet. BBC has asked Government for special treatment on lines of police and firemen's settlements.
Local authority manuals	1,000,000	November	40% on pay.
Tanker drivers	10,000	November	30%.
Road haulage drivers	N.a.	from November	20-30%.
Firemen*	30,000	November	Moving towards parity with skilled industrial workers by 1980. Settlement gives 50% of difference between the two groups.
Bakers	30,000	December	22%.
Hospital ancillary and water workers	300,000	December	40%.

BL workers' settlements for 130,000 workers are being centralised on a November 1 date under the terms of Stage Four to move towards parity for the workforce. BL already faces claims like a demand for £27 a week for Cowley assembly workers.

* Forward commitment from Stage Three.

Letters to the Editor

The City and Europe

From the Deputy Chairman, Conservative Commonwealth and Overseas Council.

Sir,—Your editorial (September 25) on the shaping of the European monetary system points out that there is no monetary equivalent of EFTA to join should Britain choose to stand aside from mainstream European developments. There is also the consideration that if we decide to remain outside the system, particularly for balance of payments reasons, it would mean acceptance of the Tindemans concept of a "two tier" Community in economic and monetary matters even before its enlargement. Mr. Callaghan is on record as expressing "serious doubts" about a two tier Community, and there can be little doubt that as a nation relegated to the second league our influence on future economic and monetary developments will be weakened.

There is also another factor regarding the role of London as a financial centre. Ten years or so ago the Segre Report observed that in the Community of that time a capital market such as London hardly existed. After ten years the City still retains a special position, but if we remain outside economic and monetary developments in the Community for any length of time that role is likely to decline at the expense of our invisible exports.

David Bagnell.
East Worldham House, Alton, Hampshire.

British cutlery

From the President, Federation of British Cutlery Manufacturers.

Sir, — Mr. Bilitch, September 25, has fiercely attacked my efforts to gain fair play for the cutlery industry.

Is Mr. Bilitch a retailer? If so, how would he like his customers to have the same wages and earning power as those who make the sweated labour products he sells? Perhaps he would prefer them to buy low-priced Far Eastern cutlery with their husbands' unemployment pay, as many must be doing already.

Is Mr. Bilitch an importer? Vested interest in the easy, uncomplicated unpatriotic exploitation of low-wage areas has accounted for varying attitudes, and has even split the cutlery industry, in so far as some leading cutlery manufacturers are themselves importers, doing most of the damage. The practice of importing Far Eastern cutlery on a grand scale is legal, but it is as immoral as it is fattening.

Perhaps, after all, Mr. Bilitch is just a consumer. I have to agree with him in the matter of voluntary control, as these never work out long term. My call, however, is for exercising voluntary restraint until the law can be changed. For if Mr. Bilitch is a consumer he may be buying what he thinks is Sheffield cutlery, whereas in fact it is oriental, with just a thin skin of silver on the surface! That is how the law stands now. The Federation of British Cutlery Manufacturers seeks to protect the consumer, so that at least Mr. Bilitch would know exactly what he is buying.

If the Mr. Bilitchs of this world had their way, the UK would only export technology and high-technology products. In my recent trip to Korea I discovered that their national philosophy is to turn peasant labour into dollars by the shortest possible route in order to buy technology. They are following in the footsteps of Japan, who are already taking our pants off in many high-technology areas. If this thinking is extended, then most groups of consumer products will end up only being made in the Far East, and millions of British workers would be condemned to a workless future. A balance has to be found before it is too late.

A. J. M. Price.
Anthony Road, Saltley, Birmingham.

Nothing neutral about Scotch

From the Chairman, Information and Development Committee, The Scotch Whisky Association

Sir,—In the principal article of the survey on whisky (September 20) Kenneth Gooding describes Scotch grain whisky as "a neutral spirit."

Mr. Gooding, who has written about our industry for several years, must surely have realised by now that the grain whisky distilled in Scotland is in every sense a true whisky. It is not, and cannot by law be, a neutral spirit. The Finance Act of 1969, when defining Scotch whisky, stipulates among other things that it must be made from cereals, be distilled in such a way that "the distillate has an aroma and flavour derived from the materials used" and that it must be matured in wooden casks for a period of at least three years. Neutral spirit on the other hand, can be made from a wide variety of substances, is normally distilled at such a strength that it retains little or no flavour, and does not need to be matured.

The Scotch Whisky Association has spent a considerable amount of time and money over the years in protecting Scotch whisky against imitations sold in overseas markets, many of which contain neutral spirit produced locally from molasses, potatoes and other substances. A key argument of its defence and one that has been accepted in the law courts of the world is that blended Scotch whisky is composed wholly of true whiskies, distilled and matured in accordance with the definition I have quoted above.

If a responsible paper could be quoted in the courts as saying that Scotch grain whisky is a neutral spirit, it would add greatly to the difficulty of protecting the name and reputation of Scotch whisky.

I. C. Coombs.
The Scotch Whisky Association.
17, Half Moon Street, W1.

Trustees and information

From Mr. R. Lancaster

Sir,—I am sorry to have to endorse Mr. Philipp's letter (September 27) regarding the reticence of many major pension funds to disclose information.

My own experience in asking 20 such funds three simple questions as part of an in-depth pensions survey is that only ten felt able to do so. Since the survey offered anonymity, I cannot give credit where it is due—but I feel less inhibited over naming companies such as British Petroleum, Beechams, British Distillers and Hawker Siddeley, which declined to answer anything. (The remaining six companies have, at the time of writing, neither provided information nor declined to do so.)

Since many smaller funds, without their brethrens' expertise, look to this type of information for guidance, it appears that a significant minority of funds — in using their powers of non-accountability — are also going to some lengths to be obstructive.

R. Lancaster.
34 Napier Court, Ranelagh Gardens, Hurlingham, SW6

Pay-as-you-go for pensions

From the managing director, C. T. Bowring and Layborn

Sir,—Mr. Raymond Nottage (September 27) again suggests that a switch from the funding system to pay-as-you-go financing would solve many of the shortcomings which he attributes to occupational pensions. He also refers to the superiority of benefits offered to pensioners in other European countries as compared with those which the new UK state scheme will provide.

These observations beg a number of fundamental issues; benefits from the UK state scheme itself are, like those of the other countries to which he refers, provided on a pay-as-you-go basis. Presumably Mr. Nottage is implying that the level of benefits is restricted in order to enable funded occupational schemes to provide similar benefits. The fact of the matter is surely that this is all that the Government feels that it can reasonably ask the contributors to pay for.

Apart from the fact that state retirement pensions represent only part of social provision—the extensive welfare services provided in this country are not found universally in Europe—the pay-as-you-go approach suffers from the fundamental weakness of relying on the willingness of one generation to support its predecessors.

As your columns have recently reported, the "generous" social security pension systems of both Italy and Germany are subject to severe financial stress with enormous deficits. Short of printing more money in order to suppress the symptoms of these economic disorders—which admittedly is an option open to Governments—there is a very real risk that the high levels of benefit which workers and pensioners have been led to expect may not in fact be paid.

The dilemma with a pay-as-you-go system is its tendency to encourage financial irresponsibility for short term political and social objectives at the expense of long term stability. Great expectations are not always fulfilled.

The combination of security and financial discipline inherent in funded schemes with segregated assets presents an overwhelming argument for the present mix of state and occupational benefits.

P. C. Price.
C. T. Bowring and Layborn,
PO Box 130.
142-152, Long Lane, SE1.

Facts on funds

From the Chairman, the National Association of Pension Funds

Sir,—Mr. Philipp (September 27) omits to mention that the National Association of Pension Funds intends to publish a year-book giving full and accurate information in respect of the majority of pension funds which are its members. This publication will be available early next year. Pension fund managers receive requests from many sources—Governments, research bodies, their own members and others—and are always happy to give information to those entitled to receive it. Publishers of commercial directories are not, of course, necessarily included in that category.

The National Association of Pension Funds has always encouraged its members to make available full information, including copies of their annual reports, to members of their own funds and the majority of them do so.

K. G. Smith,
The National Association of Pension Funds,
Prudential House,
Wellesley Road, Croydon.

Unemployment benefits

From the Deputy Director, Child Poverty Action Group.

Sir,—Rowena Mills (September 22) writes: "The easy availability of social security is proven as encouraging the prolonging of unemployment." May I ask, proven by whom? It is true that for the first six months of unemployment, when earnings-related supplement is paid with unemployment benefit, the incentive for some of the unemployed to return immediately to work is not that great. But only one-sixth of the unemployed are currently receiving earnings-related supplement and the ERS was in any case introduced in order to encourage workers to look around for new jobs at a time when the structure of the economy was changing.

It is also true that for a minority of low paid workers with large families the gap between the income they can earn in work and receive on benefit is not that great. But, as the Supplementary Benefits Commission has pointed out, this is a reflection not of high benefit levels but of low wages and inadequate child benefits for working families. In fact, flat rate unemployment benefit is paid at a rate below the semi-official poverty line and lasts only for 12 months. Only two-fifths of the unemployed are actually receiving unemployment benefit. Nearly half are forced to claim means-tested supplementary benefit. Research has also revealed a surprisingly high commitment to work among unemployed people who cannot hope to earn substantially more than their benefit entitlement.

I would also like to point out that school leavers do not qualify for unemployment pay because they have not paid the necessary contributions. What they are entitled to is supplementary benefit which, if they are living at home, is currently only £10.35—hardly a disincentive to seek work. Moreover a recent analysis by the Department of Employment could find no evidence that the level of youth unemployment had been affected by benefit levels.

Finally, Mrs. Mills is probably not aware of the fact but there already exists a battery of control procedures to ensure that unemployed claimants of unemployment and supplementary benefit do not refuse offers of suitable employment. I would suggest that a more profitable approach to reducing unemployment than punitive policies to penalise the unemployed would be economic policies designed to return the country to full employment.

Ruth Lister.
CPAG,
1, Macklin Street, Drury Lane, WC2.

Today's Events

GENERAL

Labour Party annual conference opens, Blackpool.

President Nimieri of Sudan starts six-day visit to West Germany.

Astley and Pearce, UK money brokers, become first foreign broking firm allowed to deal in Japan.

Non-aligned countries discuss response to Camp David settlement.

Duke of Gloucester opens international congress of newspaper distributors and publishers, at Brighton.

Trading in aluminium futures for three months ahead starts on the London Metal Exchange.

United Terminal Sugar Market Association starts white sugar contract in London.

"International Transport—the Common Problems" symposium organised by Chartered Institute of Transport and Financial Times opens at Royal Lancaster Hotel, London (until October 4).

European-American Commodities two-day Conference opens at London Hilton.

Mr. Alan Williams, Minister of State for Industry, opens British International Footwear Fair at Olympia (until October 4).

International Production Engineering and Productivity Exhibition and Conference opens at Olympia (until October 7).

Mr. J. R. Redfern gives his presidential address to the Insurance Institute of London.

National Society for Clean Air Conference opens at Brighton (until October 5).

Horse of the Year opens at Wembley (until October 7).

Department of Trade publishes the final August figures for retail sales; and hire purchase and other instalment credit business.

Department of Industry publishes 1978 and 1979 investment intentions of the manufacturing, distributive and service industries.

COMPANY RESULTS

Final Dividends: English Association of American Bond and Share Holders. Macallan-Glenlivet. Interim dividends: Beatson Clark and Co. City of London Brewery and Investment Trust. Currys. Percy Lane Group. Marshall Cavendish. Smurfit Jefferson Group.

COMPANY MEETINGS

See Financial Diary on Page 7.

COMPANY NEWS

Beaumont Properties sees improvement

PRINCIPALLY as a result of a £43,250 rise in property trading profit to £64,250, Beaumont Properties expanded taxable earnings for the half-year to March 31, 1978, from £395,000 to £472,750.

Property sales in 1976-77 caused first-half property revenue to decrease to £656,750 (£698,000) but this was more than offset during the half-year by a fall in interest payable (from £387,000 to £331,500) resulting from net sale proceeds being utilised in reducing borrowings, says Sir Cyril Black, the chairman.

Successful property sales have been concluded in the second half and higher trading profits are forecast. These profits, together with the benefits from the short-term investment of funds arising out of the March rights issue, should produce net profits for the current year in excess of last time. At the pre-tax level the surplus for 1976-77 was a peak £1.02m.

A steady buying programme is in hand using the proceeds of the rights issue together with funds realised by sales of property. The directors will continue to purchase suitable properties as the opportunity occurs, Sir Cyril adds.

Tax for the first half took £227,750 (£201,000) leaving a net balance of £235,000 (£194,000). Earnings per share however were down at 1.69p (1.75p) on the enlarged capital. A net interim again at 1.1725p has already been declared.

	Half-year 1977-78	1976-77
Property revenue	656,750	698,000
Property trading	64,250	21,000
Investment income	11,000	77,000
Share assocs.	60,250	26,000
Net interest payable	331,500	387,000
Pre-tax profit	462,750	395,000
Tax	227,750	201,000
Net profit	235,000	194,000

Below target output hits Charles Early

A shortfall in production affected first half performance at Charles Early and Marriott (Witney), blanket and floor covering producer. Taxable profit for the six months to July 28, 1978, slowed marginally to £157,237, against £166,115 and the directors do not think it possible to regain the lost ground during the remainder of the year.

Though home sales were up at £2.16m (£1.6m) and demand here continues to be encouraging, export sales were depressed at £1.06m (£1.33m) largely due to the strengthening of the pound.

In 1977-78 the company expanded profit from £0.21m to a record £0.52m with strong demand both at home and overseas.

The net interim dividend is held at 0.315p per 10p share and costs £18,439 (£18,378). The final last year was 1.666p.

After tax of £82,000 (£86,00) net profit came out at £75,237 (£80,115).

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Beatson Clark, City of London Brewery and Investment Trust, Currys, Haden Carrier, Percy Lane, Marshall Cavendish, Jefferson Smurfit.

Finals—English Association of American Bond and Shareholders, Macallan-Glenlivet.

FUTURE DATES

Interims—
Bruntons (Musselburgh) ... Oct. 12
Foster Brothers ... Oct. 12
Reed Executive ... Oct. 9
Richards (Leicester) ... Oct. 6
Wolstenholme Bronze Powders ... Oct. 5

Finals—
Photo-Me International ... Oct. 12

Downturn at Jones Group

PROFITS before tax of the Jones Group, Dublin-based engineer and oil tanker fleet owner, were down from £646,000 to £445,000 in the first half of 1978. Turnover amounted to £6.62m against £7.31m.

Tax takes £174,000 (£276,000) giving earnings per share of 2.34p (3.34p). The profit is struck after depreciation of £249,000 (£173,000) and £66,000 (£58,000) interest.

Depreciation for the half-year includes a charge in respect of buildings in accordance with SSAP 12—figures for 1977 have been restated to reflect this.

Robert Grier leaves Howard Tenens

Senior management changes have taken place at Howard Tenens Services, the distribution and engineering group. Tenes finance director Mr. Robert Grier has left the group, which has appointed a former member of its auditors, Touche Ross, as financial controller.

The new financial controller is Mr. Peter Small. Tenens said that Mr. Grier had resigned after differences over management approach to the role of finance director. Mr. Small will for the present not be replacing Mr. Grier on the Board.

Just over a year ago Touche Ross replaced the group's former auditors, Binder Hamlyn and Comins.

Datastream up by 60%

Datastream reports pre-tax profits of £447,000 on sales of £3.6m for the 12 months ended June 30, 1978. These represent rises of 60 per cent and 23 per cent on the previous 12 months. The company is to pay its first dividend, 5p per share, five times covered.

Mr. Michael Shanks, chairman, comments that the dividend although calculated on a deliberately prudent basis, is a mark of confidene in the future.

The growth during the year came primarily from new stock broker and institutional investment clients for on-line investment research and valuation services. Fifty new installations brought the total number of terminal clients to 250.

During the year Datastream introduced new services for eurobonds and traded options, reached agreement with NMW Computers to provide valuation services to NMW's stock broker clients, and completed negotiations for the acquisition of Inter-Bond Services.

Mr. Shanks sounds two cautionary notes in his statement, by warning of increased accommodation costs and relocation expenses on expiry of property leases in 1979 and 1981 and by highlighting the industry's dependence upon industrial peace in the Post Office.

Blockleys midway slump

A fall in pre-tax profits from £344,300 to £100,000 is reported by Blockleys, facing brick manufacturer, for the first six months of 1978.

Turnover in the period declined from £1,003,700 to £987,400 and after tax of £52,600 (£132,500), net profit emerged at £47,400 compared with £111,900.

Mr. T. J. Wright, the chairman, says the figures reflect a poor start to the year, but he is encouraged by the improved trading results of recent months.

Earnings per 20p share are shown down from 7.31p to 3.02p. The interim dividend is lifted from 1.0378p to 1.1387p, and as previously forecast a third interim of 0.0421p is to be paid for 1977. Last year when profits totalled £440,133, a 2.7807p second interim was paid.

BARCLAY INTL.

Barclays Bank International says its operations in Kenya will be taken over by a locally-incorporated company, Barclays Bank of Kenya, from today.

BBI will hold all the 120m shilling ($15.8m) equity capital of Barclays Bank of Kenya. But a spokesman says the bank plans to issue shares to Kenyan investors next year.

Six months upsurge at Toye

A BIG increase in profits for 1978 is forecast for Toye and Co., which manufactures and sells civil and military regalia.

For the first half profits have almost doubled, from £103,574 to £204,608, and the Board is of the opinion that the second half should "prove equally satisfactory."

The forecast is made with the proviso that costs continue to be held close to budget estimates. Sales are generally buoyant and exports are improving.

In the first half sales were up from £2.57m to £3.31m. Tax absorbs £39,230, compared with a restated £7,327.

In the year 1977, group profit before tax was £203,000, and a net dividend of 1.25625p net per 25p share was paid.

First half rise for Arden & Cobden

Arden and Cobden Hotels reports pre-tax profits for the half year to July 1, 1978, up from £33,800 to £112,800 but the directors say a similar profit increase cannot be expected for the second six months.

The summer period has not been encouraging although the board hopes business will pick up again in the autumn.

Turnover for the first half amounted to £498,000 against £404,000 and the profit is after depreciation £11,500 (£12,000) but before tax of £65,000 (£23,000). Last year's profits totalled £129,000.

Planning permission has been received to carry out certain reconstruction at the Cobden Hotel and it is hoped to make a start in the new year.

FT Share Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

International Thomson Organisation Convertible (Section: Newspapers).
Jones (Ernest) (Jewellers) (Section: Drapery and Stores).

BIDS AND DEALS

KU approached over Cannon holding

SEVERAL MAJOR insurance companies have expressed interest in buying out Keyser Ullmann's two-thirds holding in Cannon Assurance, said Keyser's chairman Mr. Derek Wilds yesterday. "We hope to make an announcement in the next few weeks," he added.

So far no firm offer has been made and Mr. Wilde explained that if Keyser was to commit itself to sell its stake in Cannon it would depend on "whether the offer were a fair one."

Merchant banking group Keyser Ullmann Holdings bought a controlling stake in Cannon Assurance (formerly International Life Insurance (UK)) and part of Mr. Bernie Cornfield's Investors' Overseas Services group of companies) from the liquidators of Mr. Cornfield's collapsed IOS concern in 1972.

At the same time, a smaller stake in Cannon was purchased by Mr. Edward du Cann, MP, then Keyser's chairman. Mr. du Cann is currently chairman of Cannon but no longer a Keyser director.

After the purchase there followed a protracted dispute over aspects of the transfer of ownership of Cannon. The IOS liquidator claimed that there had been impropriety in the transfer of ownership. Earlier this year, after nearly three years of litigation the IOS's liquidator's claims were withdrawn and Keyser's and Mr. Du Cann's holding in Cannon were confirmed to be 57 per cent and 15 per cent respectively.

When the settlement was made this year Keyser increased its stake in Cannon to 66 per cent.

RENTOKIL

Rentokil Group has acquired for £350,000 Tutor Safety Products, which makes a range of fire safety products at Sturminster Newton, Dorset.

The product range includes fire blankets and smothering cloths, portable welding drapes, gloves and industrial curtains.

TILLING LAPSES FLUIDRIVE OFFER

Thomas Tilling announces that, since the minimum level of acceptances required has not been reached, its offer for Fluidrive Engineering has lapsed.

BONSOR WILL NOT RECOVER FULLY

A warning of lower profits for Bonser Engineering is contained in the offer document sent to shareholders yesterday recommending the Kaye Organisation's cash bid which values the fork-lift truck concern at £2.7m.

Mr. E. Trembath, deputy chairman of Bonser, says pre-tax profits for the year ending November 30, 1978 were unlikely to exceed last year's record £490,000.

This follows a drop in pre-tax profits from £211,000 to £105,000 in the first half of the current year, although Mr. Trembath says a strong improvement is expected in the second half.

Bonser and its advisers, Antony Gibbs and Sons, are recommending shareholders to accept Kaye's 45p a share bid. Kaye already controls a 53 per cent stake in the company.

NO PROBE

The merger between Associated Dairies and Wades Departmental Stores is not being referred to the Monopolies Commission.

CAWOODS FUEL

Cawoods Fuel Oils has purchased the business and assets of Thistle Oils Glasgow. Value of the assets acquired was £142,500.

Charles Hurst near £1m

INCLUDING SPECIAL bonuses and profits on the sale of property of £312,500, pre-tax profit of Charles Hurst jumped from £599,404 to £962,183 in the June 30, 1978 half year. Turnover was £4.8m higher at £28.43m.

After tax of £357,036 against £311,690 last time net profit came out at £605,149 compared with £287,714. Earnings per 25p share are shown ahead from 13.3p to 27.9p.

The interim dividend is unchanged at 2.66p net, and Mr. C. T. Hurst, the chairman has again waived the right to his interim payments of £14,552. Last time a 3.3p final was paid on total profits of £971,000.

The company's activities cover the sale, repair and maintenance of cars and commercial vehicles.

Heenan Beddow loan holders' compensation

Loan stockholders of Heenan Beddow, which is in liquidation, are to receive an unexpected payment. The auditors, Binder Hamlyn, have agreed to pay them £105,000.

The payment is an out of court settlement of the trustee's claim that Binder Hamlyn deprived it of an opportunity to apply pressure on Heenan Beddow in 1974. Binder Hamlyn allegedly did this by wrongly stating that Heenan Beddow was within its borrowing limits under the trust deeds.

Binder Hamlyn has settled without admission of liability. The trustee, Law Debenture, did not take the matter to court because of the difficulty of proving the extent to which stockholders suffered damage.

After deduction of £18,500 for Law Debenture's remuneration and expenses, the money amounts to £7.80 per £100 nominal of stock. The compensation will count as a disposal for capital gains tax purposes.

ISSUE NEWS

MIDLAND BANK STATISTICS

Statistics compiled by Midland Bank show that the amount of "new money," raised in the UK by the issue of marketable securities in September was £125.2m, almost double the total of £64.8m for August.

In the first nine months of this year, £809.8m has been raised compared with £1083.1m in the same period of 1977.

GUINNESS PEAT

Guinness Peat Group is proposing a one-for-one scrip issue. Subject to shareholders passing a resolution at an EGM called for October 27, the company intends to double the authorised capital to £20m and issue a further 32,721,782 ordinary 25p shares.

FINANCIAL TIMES STOCK INDICES

—	Sept. 29	Sept. 28	Sept. 27	Sept. 26	Sept. 25	Sept. 21	A year ago
Government Secs.	70.00	70.02	69.97	70.15	70.24	70.56	79.85
Fixed Interest	71.85	71.80	71.85	72.04	72.16	72.30	79.08
Industrial	500.6	501.2	506.0	514.2	509.4	518.6	520.7
Gold Mines	168.6	170.1	173.5	177.9	180.0	178.4	146.1
Ord. Div. Yield	5.36	5.35	5.31	5.24	5.27	5.18	5.14
Earnings, Y'ld% (full)*	15.12	15.16	15.04	14.86	14.95	14.69	16.12
P/E Ratio (net) (*)†	8.77	8.74	8.80	8.91	8.86	9.01	9.43
Dealings marked	4,842	5,162	5,491	6,159	4,988	4,810	5,457
Equity turnover £m.	—	98.44	89.24	83.02	82.91	105.56	128.84
Equity bargains total	—	16,726	16,363	17,670	17,224	17,380	19,935

10 am 501.9. 11 am 502.4. Noon 501.2. 1 pm 499.9.
2 pm 500.2. 3 pm 500.1.
Latest Index 01-246 8026.
* Based on 52 per cent corporation tax. † Nil=8.54.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	68.79 (6/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (4/1)	70.73 (6/9)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	535.5 (15/9)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.6 (14/8)	130.3 (2/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Sept. 29	Sept. 28
—Daily		
Gilt-Edged	147.5	174.2
Industries	174.6	180.1
Speculative	29.7	40.9
Totals	110.2	117.5
5-day Average		
Gilt-Edged	160.9	159.4
Industries	185.2	186.0
Speculative	38.9	40.9
Totals	116.7	116.6

Telefusion satisfied with superstores

Although the economic and political outlook is uncertain, Mr. J. N. Wilkinson, chairman of Telefusion, is confident that with its current improving trend in business, its investment programme and its marketing strategy will in the longer term lead to a period of sustained growth.

Of the re-organisation instituted in the April 29, 1978 year just ended, he says the group currently has several superstores in operation and directors are well satisfied with the initial profitability. The full plan of re-organisation—which covers closure of certain Trident units, resiting of others and additional superstores and large warehouses—will take until the end of 1979 to complete.

With overseas operations, which contributed £212,000 after foreign tax last year, the group intends reinforcing its success by expanding its operations into Belgium in the current year.

Mr. Wilkinson points out that many of the rental television sets put out in the peak growth years of 1972-73 are now approaching the time when depreciation will have been fully provided, and the group will be able to show a satisfactory level of profits in the next year or so from this source. New technological developments are then expected to bring in their own substantial contribution to the rental business.

As previously reported taxable profit in the latest year declined from £3.09m to £2.07m.

Meeting, Connaught Rooms, WC, October 26 at 12.30 pm.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Barnsley Metro. (0226 203232)	11¾	½-year	250	5-7
Bradford (0274 29577)	11½	½-year	500	5-7
Knowsley (051 548 6555)	11¾	½-year	1,000	6-10
Manchester (061 236 3377)	10	½-year	500	2
Redbridge (01-478 3020)	11½	½-year	200	5-7
Southend (0702 49451)	11½	½-year	250	5-7
Thurrock (0375 5122)	11	½-year	300	4
Thurrock (0375 5122)	10¾	½-year	300	3
Wrekin (0952 505051)	11¼	yearly	1,000	5-6

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 13.10.78.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	10¾	11	11¼	11½	11¾	12	12	12¼

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

Pending dividends timetable

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
Acrow	Nov. 3	Int. 1.375
Allied Irish Banks	Oct 27	Int. 1.8125
*Anglo Am. Group	Oct. 19	Finals due
*Armour Equipment	Oct. 3	Final 1.302
Assoc. Biscuit	Oct. 11	Int. 1.476
*Averys	Oct. 3	Int. 1.9274
BPB Industries	Oct. 26	Int. 3.8
*BSG Intln.	Oct. 16	Int. 0.7
*Bk. of Ireland	Nov. 7	Int. 5
*Belam	Oct. 5	Final 1.654
Berkeley Hambro Prop.	Nov. 3	Int. 1
Berry Wiggins	Oct. 6	Final nil
*Bowthorpe	Oct. 10	Int. 0.75
*British Home Stores	Oct. 18	Int. 2.9
Brooke Bond Liebig	Oct. 18	Final 2.008
*Bunzl Pulp	Oct. 3	Int. 2.831
*Cape Inds.	Oct. 2	Int. 2.984
*Clive Discount	Oct. 5	Int. 2
Coates Bros.	Oct. 31	Int. 0.77496
*Cons. Goldfields	Oct. 11	Final 5.8302
Coral Leisure	Oct. 13	Int. 3.5
*Debenhams	Oct. 12	Int. 1.5905
Ductile Steels	Oct. 18	Final 3.298
Duport	Oct. 19	Int. 1.823
EDITH	Oct. 19	Int. 3
*EMI	Oct. 5	Final 5.88
Ellis and Goldstein	Oct. 19	Int. 0.88
*Empire Stores	Oct. 11	Int. 2.22
English Property	Oct. 27	Int. 1.25
*Freemans (London)	Oct. 9	Int. 2.42
Furness Withy	Oct. 18	Int. 3.5
Gerrad and National	Oct. 13	Int. 4
*Gill & Duffus	Oct. 25	Int. 3.96
*Glaxo	Oct. 9	Final 6.21
*Grattan Ware.	Oct. 10	Int. 1.76
Hawker Siddeley	Oct. 20	Int. 1.6848
Bepworth (J.)	Oct. 28	Final 1.65
*Highland Dist	Oct. 23	Final 2.087
Hoveringham	Oct. 24	Int. 0.95
*Laing (J.)	Oct. 27	Int. 1.25
London Brick	Oct. 27	Int. 1.2672
Mallinson Denny	Nov. 1	Int. 1.25
Marchwiel	Oct. 31	Int. 1
Marks and Spencer	Oct. 18	Int. 1.7
*Metal Box	Nov. 21	Int. 6.6
Mothercare	Oct. 17	Int.
Mowlem (J.)	Oct. 6	Int. 1.5
Pearson (S.)	Oct. 7	Int. 2
Reed Intl.	Nov. 1	Int. 5.9556
*Rockware	Oct. 4	Int. 1.9053
Rugby Port. Cement	Oct. 20	Int. 1.069
*600 Group	Nov. 30	Int. 1.85
*Scottish Met. Prop.	Oct. 10	Final 1.0434
*Sears	Oct. 5	Final 2.58
*Senior Engng.	Oct. 16	Int. 0.5635
Spillers	Oct. 26	Int. 0.825
Spirax-Sarco	Oct. 12	Int. 3.6837
Swan Hunter	Oct. 11	Final 3.689
UBM	Nov. 3	Int. 1.7858
Utd. Real Prop.	Oct. 10	Final 3.9
*Wilmot Breeden	Oct. 18	Int. 1.2
Wood Hall Tst.	Nov. 2	Final 4.941
Youghal Carpets	Sept. 9	Int. 2.045

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
65	F.P.	31/8	87	71	Cartiers Superfoods	83	......	b4 2.41	3.1	4.4	7.4
101	F.P.	—	400	345	Ferranti New	365	......	u5.75	11.9	2.3	4.8
101	Nil	—	300pm	240pm	Do. Nil Paid	265pm	......	u5.75	11.9	2.3	4.8
115	F.P.	8/9	165	156	Jones (E.) (Jew'lrs) 20p	160	−1	b5.5	2.1	5.1	14.0
¶¶	F.P.	24/11	36½	31½	Manor Nat Grp. Motrs	32	......	g2.14	1.3	10.0	11.1
¶¶	F.P.	—	115	100	Rightwise	115	......	—	—	—	4.8

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
10p	—	13/10	16p	12½p	Audiotronic 12% Conv. Prf	13½p	+1
¶	£10	—	10¼	10⅛	Bristol Waterworks 7% Prf. 1983	10¼	......
**	—	27/10	107p	104½p	Cowan De Groot 10½% Pref.	106½p	−½
99p	nil	29/9	3½pm	2pm	Hill & Smith 14% 1st Deb. 2000-03	2½pm	......
£100	F.P.	8/12	101¾	101	Howard & Wyndham 15% Uns. Ln. 86-91	101¾	......
¶¶	F.P.	—	245p	230p	Intl. Thomson Conv. Red. Pref. 25p	240p	......
£99½	F.P.	—	99⅝	98¼	Kensington and Chelsea Var. Rate 1983	98¼	......
**	—	3/11	81	78	Latham James 8% Cum. Pref	81	......
£100	F.P.	—	99⅛	98	Northampton Var. Rate Red. 1983	98	......
¶¶	F.P.	—	115	103	Rightwise 10% Conv. Uns. 1993	115	......
£99½	£10	—	9	8¾	Southwark Corp 12½% Red. 1987	9	+⅛
£99¾	F.P.	—	99⅛	97¾	Strathclyde Var. Rate 1983	97¾	−¼

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ■	1978 High	1978 Low	Stock	Closing Price p	+ or −
65	F.P.	19/9	27/10	73	69	Aaronson Bros.	69	−1
285	F.P.	22/9	27/10	350	327	B.T.R.	351	......
§28	Nil	—	—	40	24	Bank of Montreal	24	−2
390c	Nil	22/9	13/10	27pm	8pm	Barlow Rand	8pm	−2
50	F.P.	30/8	24/11	74	66	Blackwood Hodge	66	......
44	F.P.	29/9	10/1	55½	51	British Printing	52	......
12	Nil	—	—	6pm	2½pm	Change Wares	5pm	−½
115	F.P.	21/9	3/11	145	135	Chubb	139	+1
FF110	Nil	—	—	20pm	20pm	Cie. Fr. Petroles	20pm	......
265	Nil	8/10	17/11	41pm	35pm	Dalgety	38pm	......
65	F.P.	22/9	13/10	80	72	Dorada	75	+1
100	Nil	6/10	3/11	10pm	1pm	Dufay Bit'mastic 10½% Cnv. Ln. 98-03	1pm	......
55p	F.P.	—	—	65¼	65	Globe and Phoenix	65	......
75	F.P.	29/9	13/10	85	76	Hill & Smith	77	+1
65	Nil	6/10	10/11	24pm	19pm	Howden Group	21pm	......
74	Nil	25/9	27/10	94	84	Initial Services	94	......
10	F.P.	—	—	14	10½	††Kunick Holdings	13	−½
77	F.P.	11/9	27/10	90pm	82½pm	Lex Service	84½pm	......
65	Nil	8/10	27/10	21pm	13pm	Lon. & Midland Ind.	13pm	−1
94	F.P.	21/8	4/10	111	104	Property Partnerships	107	......
40	F.P.	29/9	27/10	80	69	Ratners (Jewellers)	69	−1
4	Nil	6/10	5/11	5½pm	5pm	Reliance Knitwear	5½pm	......
200	F.P.	25/9	5/11	314	283	Ricardo Eng.	305	......
25	Nil	9/10	5/11	14	10	Wearwell	10	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. v Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

BASE LENDING RATES

A.B.N. Bank	10 %	■ Hambros Bank	10 %
Allied Irish Banks Ltd.	10 %	■ Hill Samuel	§10 %
American Express Bk.	10 %	C. Hoare & Co.	†10 %
Amro Bank	10 %	Julian S. Hodge	11 %
A P Bank Ltd.	10 %	Hongkong & Shanghai	10 %
Henry Ansbacher	10 %	Industrial Bk. of Scot.	10 %
Banco de Bilbao	10 %	Keyser Ullmann	10 %
Bank of Credit & Cmce.	10 %	Knowsley & Co. Ltd.	12 %
Bank of Cyprus	10 %	Lloyds Bank	10 %
Bank of N.S.W.	10 %	London Mercantile	10 %
Banque Belge Ltd.	10 %	Edward Manson & Co.	11½%
Banque du Rhone	10½%	Midland Bank	10 %
Barclays Bank	10 %	■ Samuel Montagu	10 %
Barnett Christie Ltd.	11 %	■ Morgan Grenfell	10 %
Bremar Holdings Ltd.	11 %	National Westminster	10 %
Brit. Bank of Mid. East	10 %	Norwich General Trust	10 %
■ Brown Shipley	10 %	P. S. Refson & Co.	10 %
Canada Perm't Trust	10 %	Rossminster	10 %
Capitol C & C Fin. Ltd.	10 %	Royal Bk. Canada Trust	10 %
Cayzer Ltd.	10 %	Schlesinger Limited	10 %
Cedar Holdings	10½%	E. S. Schwab	11½%
■ Charterhouse Japhet	10 %	Security Trust Co. Ltd.	11 %
Choulartons	10 %	Shenley Trust	11 %
C. E. Coates	10 %	Standard Chartered	10 %
Consolidated Credits	10 %	Trade Dev. Bank	10 %
Co-operative Bank	*10 %	Trustee Savings Bank	10 %
Corinthian Securities	10 %	Twentieth Century Bk.	11 %
Credit Lyonnais	10 %	United Bank of Kuwait	10 %
The Cyprus Popular Bk.	10 %	Whiteaway Laidlaw	10½%
Duncan Lawrie	10 %	Williams & Glyn's	10 %
Eagil Trust	10 %	Yorkshire Bank	10 %
English Transcont.	11 %		
First Nat. Fin. Corp.	11½%		
First Nat. Secs. Ltd.	11 %		
■ Antony Gibbs	10 %		
Greyhound Guaranty	10 %		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 1-month deposits 7¼%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7¼%, and over £25,000 7½%.
‡ Call deposits over £1,000 7%.
§ Demand and deposits 7½%.

INTERNATIONAL COMPANY NEWS

BH South hit by phosphate losses

By Paul Cheeseright

BH SOUTH, the Australian mining and investment house, suffered a net loss for the year to last June of A$8.47m (US$9.8m) compared with a loss of A$3.97m in the preceding year. No dividend will be paid. Shareholders have received no payments since 1974-75.

The greater part of the loss, A$7m, was recorded in the first half. The improvement in the position came from the receipt of dividends during the second half.

The main cause of BH South's problems was the loss of A$15.5m at its Queensland Phosphate subsidiary, which suspended production at the end of last June. The difficulties with Queensland Phosphate prompted BH South earlier this month to announce that it intended to raise more than A$50m through the sale of investments.

Some sales have already been made and the repayment of loans of A$42m and A$11m due at the end of this month will take place.

S. African group sees improvement

By Richard Rolfe

JOHANNESBURG, Oct. 1.

THE CHAIRMAN of Murray and Roberts, Mr. J. D. Roberts, said in his annual review of the group for the year to June 30 that he does not foresee "a significant recovery in the near future" in the industry, although an air of optimism has been growing. But he believes that group profits, which rose from R21.4m to R22.8m ($26.2m) last year, on turnover up from R522m to R588m ($576m), should improve because of various new activities into which the group has moved. Last year, R29m was spent on companies involved in engineering and food processing as well as on traditional construction interests.

Corco decision on Arab bid expected

BY OUR FINANCIAL STAFF

ONE OF the leading oil refiners in the U.S., the financially troubled Commonwealth Oil Refining, is expected to announce a decision this week on the takeover proposal made by an Arab investment group.

Directors of the company, which is currently operating under Chapter 11 bankruptcy proceedings, met at the end of last week, but said they would make no statement until today at the earliest.

The bid has been mounted by Arabian Seaoil Corporation, a group of private investors headed by Mr. Roger E. Tamraz.

Under the proposed deal, a *subsidiary of Arabian Seaoil* would buy some $400m of Commonwealth's debt for cash plus common stock and senior secured notes.

The Arab concern would then merge Commonwealth into this subsidiary, as well as investing $50m in the new enterprise in exchange for convertible notes.

Commonwealth Oil, based in Texas, owns $1bn refinery complex on the southern coast of Puerto Rico, where it is the largest private business.

By operating under the U.S. bankruptcy laws, it enjoys court protection against creditor suits while trying to work out a plan to pay its debts.

One important element of the proposal calls for Ashland Oil, the Kentucky-based refiner, to run and manage Commonwealth's Puerto Rico refinery. Ashland itself turned down the chance of taking Commonwealth over last year.

Mr. Tamraz and Arabian Seaoil are not, however, the only current contenders for control of Commonwealth. Also under consideration is an offer from Charter Oil, whose proposal is being studied by lawyers of both U.S. concerns, prior to going before the Commonwealth Board.

Coastal States Gas and Tenneco, both of which once showed an interest in Commonwealth, now appear to have moved to the sidelines.

Kaiser Aluminum expects quarterly profits boost

OAKLAND, Oct. 1.

KAISER ALUMINUM and Chemical's third quarter earnings are expected to be "almost double" the year-earlier level and net profits for the full year should be "over $7 a share," Mr. William-Hobbs, the vice-president and treasurer, said.

In last year's third quarter, the company earned $17.9m or 96 cents a share. In the whole of 1977, it earned $112.1m, or $5.53, on revenue of $2.23bn.

As previously reported, first half earnings rose by 20 per cent *from a year earlier to $77.3m*, or $3.91 a share.

The anticipated third quarter gain would have been even stronger except for a loss from foreign currency translations, Mr. Hobbs said.

He also qualified his earnings *prediction for the year, saying* it was based on foreign currency losses to date. "If the dollar should change materially that number—over $7 a share—would have to be adjusted either plus or minus," he said.

Earlier, Kaiser Aluminum had forecast that 1977 earnings would be "comfortably over" $6 a share.

Mr. Hobbs attributed the anticipated earnings gains to stronger aluminium shipments and higher aluminium prices. Third quarter shipments of the metal which normally are at a seasonal low are expected to be a little higher than the second quarter's 231,000 tons. That compares with 197,000 tons shipped in the 1977 September quarter.

AP-DJ

IBM plans to lift capital spending

TORONTO, Oct. 2.

INTERNATIONAL Business Machines Corporation's capital expenditures in 1978 will be higher than the $3.4bn in 1977, and expenditures are expected to continue to grow at a high rate, Mr. Dean P. Phypers, vice-president, finance and planning, told security analysts here.

IBM's investment in plant rental and other property increased by 34.7 per cent in 1977 over 1976, and for the first six months of 1978 the increase was 34.5 per cent on the year-ago period.

Mr. Phypers said he could not *project the level of increase for* the entire year of 1978 since "this will depend, to a great extent, on customer decisions about lease versus purchase."

There have been many comments in the last few years about the high levels of cash in IBM.

"We have consistently pointed out that we expected to use the bulk of these funds to grow the business," he said.

The slower growth of IBM's net earnings in the first half of the year was anticipated.

Earnings were up 3.9 per cent to $1.3bn while gross income rose 9.9 per cent to $9.4bn.

Paper group settles suits for $27m

NEW YORK, Oct 1.

INTERNATIONAL PAPER said it agreed to settle all civil class action anti-trust suits by private plaintiffs involving both folding cartons and milk cartons for $27m.

The company said that the settlement, together with previously announced settlements of certain class actions of $5.2m and $8.3m, will reduce third *quarter earnings* by about 45 cents a share.

International Paper denied liability or wrongdoing, but said it agreed to the settlement to reduce the expense and uncertainties of litigation.

Reuter.

Currency, Money and Gold Markets

Interest rate problems

BY COLIN MILLHAM

THE RISE in the interest rate on Belgian Treasury certificates last *Monday was thought to herald a* rise in the central bank discount rate later in the week. A rise of 1 per cent to 5½ per cent in Holland's bank rate later on the same day seemed to make a similar move by the Belgian National Bank almost certain, and on Wednesday morning Brussels *interest rates rose in the money* market ahead of the central bank Board meeting.

When it was announced that there would be no change in the discount and Lombard rates from the existing level of 6 per cent money market rates fell equally *sharply*, and the Belgian *franc* suffered a similar fate on the foreign exchange market.

Belgium's and Holland's currency problems centre around their relationships with the Deutsche Mark as part of the European currency snake. An enlarged European monetary system may lead to a realignment of the present snake members, and this has created the recent pressure on the Belgium franc and Dutch guilder, which may both be devalued against the Deutsche Mark as part of any new agreement.

Meanwhile the Belgian and Dutch authorities have been forced to give continuing support to their currencies to keep them within the permitted margins of the snake.

Belgium and Holland are not the only countries with interest rate and currency problems. President Carter has said that he considers the present U.S. discount rate of 8 per cent as too high. On the other hand any early reduction will hardly help the dollar, which continues to suffer from a complete lack of confidence.

The Federal Reserve has taken action recently to force up New York rates, lifting the target rate on Federal funds — the money banks lend to each other — to around 8¾ per cent. Technical factors meant that Fed funds touched 9½ per cent last week, *with the Fed intervening heavily* to try to keep rates down. A redeposit of funds—taking money out of its Fed account and putting it back into the system — plus the more usual repurchase orders *were used to bring matters back* under control.

The overall trend in U.S. rates was also highlighted by another rise in commercial banks prime lending rates, to 9¾ per cent from 9½ per cent.

CURRENCY RATES

September 29	Special Drawing Rights	European Unit of Account
Sterling	0.649597	0.666864
U.S. dollar	1.28197	1.30575
Canadian dollar	1.51563	1.55129
Austrian schilling	17.9862	18.4565
Belgian franc	39.1367	40.2916
Danish krone	6.86974	7.05015
Deutsche Mark	2.48346	2.54937
Guilder	2.69857	2.77149
French franc	5.54831	5.69694
Lira	1054.96	1083.29
Yen	242.314	248.372
Norwegian krone	6.59096	6.75946
Peseta	92.5842	94.9830
Swedish krona	5.64183	5.79106
Swiss franc	1.98562	2.03578

Public Works Loan Board rates

Effective from September 30.

Years	Quota loans repaid by EIP†	Quota loans repaid At maturity§		Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At maturity§	
		At	maturity§		At	maturity§
Up to 5	11¾	11¾	12¼	12¼	12¼	12¾
Over 5, up to 10	12⅛	12⅜	12⅝	12⅝	12⅞	13⅛
Over 10, up to 15	12½	12⅝	12¾	13	13⅛	13¼
Over 15, up to 25	12¾	12⅞	12⅞	13¼	13⅜	13⅜
Over 25	12⅞	13	13	13⅜	13½	13½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

THE POUND SPOT / FORWARD AGAINST £

Sept. 29	Bank rate %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	8	1.9665-1.9775	1.9765-1.9775	0.65-0.55c.pm	3.64	1.82-1.72c.pm	3.58
Canadian $	9½	2.3150-2.3395	2.3380-2.3390	0.80-0.70c.pm	3.85	2.20-2.10c.pm	3.68
Guilder	6½	4.14-4.17½	4.16-4.17	1 c.pm-par	1.44	4-3 c.pm	3.36
Belgian F.	6	60.15-60.60	60.40-60.50	20-10 c.pm	2.98	60-50 c. pm	4.00
Danish K.	8	10.53½-10.58	10.58-10.59	½-2½ore dis	−1.70	3-5 ore dis	−1.51
D-Mark	6	3.81-3.84½	[illegible]	3⅝-2⅝ pf pm	9.00	[illegible] pf pm	8.39
Port. Esc.	18	88.70-90.10	89.70-90.10	50-150 c dis	−13.35	175-400 c. dis	−12.80
Span. Pes.	8	142.20-142.70	142.60-142.70	25-125 c.dis	−6.30	100-250 c. dis	−5.61
Lira	10½	1,622-1,628	1,626½-1,627½	7-10 lire dis	−6.27	11-14 lire dis	−3.78
Nrwgn. K.	7	10.12½-10.16½	10.15½-10.16½	2½-1½ ore pm	1.48	3½-1½ ore pm	1.06
French Fr.	9½	8.52½-8.57½	8.55½-8.56½	2½-1½ c.pm	2.45	7-6 c. pm	3.04
Swedish Kr	8½	8.67-8.71	8.70-8.71	3½-1½ ore pm	5.10	11-9 ore pm	4.59
Yen	3½	370-378	375-376	3.55-3.15 y pm	10.75	9.70-9.50 y pm	10.16
Austria Sch	4½	27.60-27.85	27.75-27.85	15-5 gro pm	4.32	45-35 gro pm	5.47
Swiss Fr.	1	3.05½-3.07	3.05½-3.06½	3⅝-1¼ c.pm	12.78	8⅝-6⅝ c. pm	11.92

Belgian rate is for convertible francs. Financial franc 63.35-63.45.

Six-month forward dollar 3.35-3.25c pm, 12-month 5.85-5.75c pm.

GOLD

	Sept. 29	Sept. 28
Gold Bullion (a fine ounce)		
Close	$217-217½	$217-217½
Opening	$216½-217½	$217½-218¼
Morning fixing	$217.45 (£110.587)	$217.45 (£110.514)
Afternoon fixing	$217.10 (£110.324)	$217.90 (£110.497)
Gold Coins domestically		
Krugerrand	$225½-227½ (£114-115)	$225½-227½ (£114½-115½)
New Sovereigns	$61½-63½ (£31-32)	$61½-63½ (£31¼-32¼)
Old Sovereigns	$61-63 (£30½-31½)	$61-63 (£31-32)
Gold Coins internationally		
Krugerrand	$225½-228½ (£114-115½)	$224-228 (£113½-114½)
New Sovereigns	$59½-61½ (£30-31)	$60-62 (£30½-31½)
Old Sovereigns	$61-63 (£31-32)	$61-63 (£31-32)
$20 Eagles	$301-304	$306½-309½
$10 Eagles	$161-164	$165½-168½
$5 Eagles	$111-114	$114-117

THE DOLLAR SPOT / FORWARD AGAINST $

DATE	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canad'n $*	84.61-85.07	84.61-84.64	par-0.02 c pm	0.14	0.02cdis-0.01cpm	−0.02
Guilder	2.1018-2.1205	2.1050-2.1070	0.20-0.35 c dis	−1.57	0.15-0.30 c dis	−0.43
Belgian Fr	30.52-30.62	30.54-30.59	0.01cdis 0.02cpm	0.02	par-0.03 c pm	—
Danish Kr	5.3550-5.3620	5.3575-5.3600	2.00-2.50ore dis	−5.04	6.00-6.50ore dis	−4.66
D-Mark	1.9350-1.9408	1.9360-1.9375	1.05-0.95 pf pm	6.19	2.95-2.85 pf pm	5.99
Port. Esc	45.30-45.40	45.30-45.40	35-180 c dis	−28.44	130-500 c dis	−27.78
Lira	823.20-825.50	823.20-823.70	6-9 lire dis	−10.93	14-18 lire dis	−7.77
Nrwgn. Kr	5.1385-5.1560	5.1400-5.1420	0.50-1.00ore dis	−1.75	3.00-3.50oredis	−2.53
French Fr	4.3275-4.3550	4.3275-4.3325	0.70-1.10 c dis	−2.63	0.70-1.10 c dis	−0.88
Swedish Kr	4.4035-4.4185	4.4055-4.4070	0.25-0.05 ore pm	0.41	1.00-0.80 ore pm	0.82
Yen	188.65-189.45	188.70-188.90	2.20-1.10 y pm	7.31	3.20-3.10 y pm	6.67
Austria Sch	14.03½-14.05½	14.03½-14.04½	4.50-3.50 gro pm	3.42	9.00-6.50 gro pm	2.21
Swiss Fr	1.5418-1.5550	1.5500-1.5580	1.26-1.16 c pm	9.35	3.40-3.30 c pm	8.63

* U.S. cents per Canadian $.

OTHER MARKETS

Sept. 29	£	$		£ Note Rates
Argentina Peso	1.702-1.706	861.33-863.36	Austria	27.25-28.25
Australia Dollar	1.7032-1.7102	0.8620-0.8655	Belgium	62.50-63.50
Finland Markka	7.9420-7.9480	4.0235-4.0255	Denmark	10.50-10.65
Brazil Cruzeiro	37.38-38.38	18.92-19.42	France	8.55-8.65
Greece Drachma	71.266-73.010	36.05-36.95	Germany	3.75-3.85
Hong Kong Dollar	9.34-9.36	4.7375-4.7425	Italy	159-1640
Iran Rial	136-141	70.45-70.55	*Japan*	*371-381*
Kuwait Dinar (KD)	0.531-0.541	0.27262-0.27272	Netherlands	4.10-10.20
Luxembourg Franc	60.40-60.50	30.54-30.59	Norway	10.08-10.18
Malaysia Dollar	4.49-4.505	2.2775-2.2805	Portugal	92-102
New Zealand Dollar	1.8534-1.8624	0.9380-0.9425	Spain	142½-147½
Saudi Arabia Riyal	6.49-6.59	3.330-3.331	Switzerland	2.90-3.00
Singapore Dollar	4.39-4.405	2.2270-2.2300	United States	1.9675-1.9775
South African Rand	1.69789-1.72391	0.8590-0.8725	Yugoslavia	39.0-41.0

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Sept. 29	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.977	3.833	374.0	8.560	3.063	4.165	1627.	2.339	60.45
U.S. Dollar	0.506	1.	1.939	189.2	4.331	1.549	2.107	823.0	1.183	30.58
Deutsche Mark	0.261	0.516	1.	97.59	2.234	0.799	1.087	424.5	0.610	15.77
Japanese Yen 1,000	2.674	5.285	10.25	1000.	22.89	8.189	11.14	4350.	6.253	161.6
French Franc 10	1.168	2.309	4.477	436.9	10.	3.578	4.866	1900.	2.732	70.62
Swiss Franc	0.327	0.645	1.251	122.1	2.795	1.	1.360	531.2	0.764	19.74
Dutch Guilder	0.240	0.475	0.920	89.80	2.055	0.735	1.	390.6	0.561	14.51
Italian Lira 1,000	0.615	1.215	2.356	229.9	5.262	1.883	2.560	1000.	1.438	37.16
Canadian Dollar	0.428	0.845	1.639	159.9	3.660	1.310	1.781	695.6	1.	25.85
Belgian Franc 100	1.654	3.270	6.340	618.7	14.16	5.066	6.890	2691.	3.868	100.

MONEY RATES

NEW YORK

Prime Rate	9.75
Fed Funds	8.875
Treasury Bills (13-week)	7.80
Treasury Bills (26-week)	8.27

GERMANY

Discount Rate	3
Overnight	3.525
One month	3.625
Three months	3.725
Six months	4.025

FRANCE

Discount Rate	9.5
Overnight	7.0
One month	7.3125
Three months	7.5625
Six months	7.9375

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.125
Bills Discount Rate	4.625

LONDON MONEY RATES

Sept. 29 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7⅛-9	—	—	—	8¾	5-8¼	—	—	—
2 days notice	—	—	9	—	—	—	—	—	—	—
7 days or 7 days notice	—	8¾-9	9⅛	—	9⅜	9⅛	8¼-8⅜	—	—	—
One month	9⅛-9	9-9⅜	9-9¼	10-10⅛	9¾	9⅛-9⅝	8⅝	9 1/16	9⅛-9 3/16	9⅝
Two months	9 3/16-9 1/16	9¼-9 5/16	—	9⅛-9¾	10	—	9 1/16	9⅛-9 3/16	9 1/16	9¾
Three months	9 5/16-9 3/16	9⅛-9¾	9⅝-9¾	9⅛-9⅝	10⅛	9⅞-10	9⅛-9⅝	9 3/32-9 5/32	9 1/16	9⅞
Six months	10 1/16-9 15/16	9⅞-10⅛	9-10	9½-10	10⅝	—	—	—	9⅞	10
Nine months	10 1/16-9 15/16	10-10 3/16	—	10-10⅝	10⅝	—	—	—	—	—
One year	10 1/16-9 15/16	10 1/16-10 3/16	10-10¼	10⅛-10⅝	10¾	—	—	—	—	—
Two years	—	—	11⅛-11¼	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rate nominally three years 11¾-11¾ per cent; four years 11¾-12¼ per cent; five years 12-12¼ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 9 9/16-9½ per cent; four-month trade bills 9¾ per cent.

Approximate selling rates for one-month Treasury bills 8 15/16-9 per cent; and two-month 9 per cent; three-month 9 1/16-9 5/32 per cent. Approximate selling rate for one-month bank bills 9-9 1/16 per cent; two-month 9 3/16 per cent; and three-month 9 5/16-9¼ per cent. One-month trade bills 9¾ per cent; two-month 9¾ per cent; and also three-month 9¾ per cent.

Finance House Base Rates (published by the Finance Houses Association) 9½ per cent from October 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6.7 per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 9.1839.

MINING NOTEBOOK

Now it's Eskimo and caribou

BY LODESTAR

ONE OF THE chief threats to the uranium discoverers in Australia's Northern Territory, still frustrated by problems with the region's Aborigines, comes from the increasing uranium finds in Canada where one of the biggest, that at Cluff Lake in Saskatchewan, is due to come on stream in 1980.

This particular province, in fact, seems to be throwing up new deposits of the nuclear material every few weeks with exploration activity proceeding at an ever-increasing pace. It is thus no wonder that mining executives are becoming more cautious about the likely course of uranium prices in the 80s.

But at least the directors of Peko-Wallsend, EZ Industries, Pancontinental and Queensland Mines may be relieved to know that one of the latest Canadian finds, that of Germany's Urangesellschaft in the Northwest Territories, has also run into severe environmental problems which are hampering an exploration programme brought to a halt at one time by caribou calving restrictions.

But it is the Eskimos who are seeking to bring uranium development to a halt. The company is thus quoted as saying that future progress depends on "what kind of encouragement we get from the Federal Government and the two departments involved, that for Indian Affairs and Northern Development and that for Energy, Mines and Resources."

Meanwhile, enthusiasm is growing for the latest Saskatchewan find, that at Midwest Lake by Esso Resources, Numac and Bow Valley with estimates of its uranium content ranging up to 300m pounds, leading to speculation that it has the "potential to *become one of the largest* uranium deposits in North America if not the world."

The word Saskatchewan, in fact, should be figuring largely in the mind of Mr. Doug Anthony, Australia's Minister for National Resources, as he struggles to *unravel all the tangled skeins that* even after all this time (the discoveries date from 1970) are preventing development of the country's big uranium potential.

At least the diamond miners should be free of such problems. Or will they? No doubt the *environmentalists* and the Aboriginal representatives are working on it.

Although Pancontinental may be giving its shareholders some sleepless nights, they can be no worse insomniacs than those in South Africa's Afrikander Lease *the shares of which are now once* again on the downward end of their see-saw, dropping 70p to 200p on Friday following the news that development of its uranium mine has been further delayed.

But Johannesburg analysts are still hopefully reading between *the lines*. Present thinking is that Afrikander could still be brought to production within two years at a capital cost of R150m (£88m) and with an output rate that would rank it second to only Vaal Reefs and Randfontein.

And the fact that the authorities are prepared to entertain proposals aimed at establishing the mine on a "national interest" basis is arousing the hope that the arrangements under discussion include a tax formula that would be less onerous than that applied to the gold mines.

On the debit side (Australia's Mr. Anthony should also note) is the confirmation by mining house sources in South Africa that, though uranium contracts are still available, it is becoming much harder to obtain customer finance, a development which could bring money-raising problems for the launching of a "green fields" producer such as Afrikander.

In that case Anglo American, it is thought, might consider linking its opening up with one or other of the group's established producers such as Western Deep which has recently announced plans to extend its uranium plant.

Altogether, there is still sufficient hope for Afrikander to place its share price on the rising end of its see-saw once again in due course. Anyway, that is the Johannesburg view.

* * *

The Australian nickel exploration rush made the names of a number of Perth entrepreneurs well-known around the world although little is heard of them nowadays. Last week the frenzied search for diamonds in Western Australia brought a new name to our mining columns, Mr. Peter Briggs.

He is connected with a number of junior exploration companies, some of them relics of the nickel prospecting era. The group has come in for some criticism in the Australian Press over exploration deals done between the various components of his empire, described as one of the country's "most complicated financial tangles."

Whether the criticism is justified or not for those who are tempted to take a speculative chance in the lively share market scene down-under it may at least be useful to know which concerns are being listed as residing in the Briggs camp.

They are Australia Mining, Cliffminex, Coopers Creek, Ferrovanadium, Forsyth Mineral Exploration, Hill 50 Uranium, Inland Mining, Kemple Mines, Kitchener Mining (formerly Leopold Minerals), Lightning Ridge, Mogul Mining and Siberia Nickel.

* * *

The shares of Agnico-Eagle, the Canadian gold and silver producer to which I drew attention in July, have been a firm market recently, rising from C$5½ then to a 1978 high of C$7½. Their attraction lies principally in the company's low-cost gold operation in Quebec where there are prospects of improvement in the grade of ore milled over the next month or two.

Cost per ounce has been running at about C$115 and in this connection it must be realised that owing to the weakness of the Canadian dollar the country's gold producers get a considerably higher price in terms of that currency than the U.S. dollar quotation for bullion, now C$217½. Agnico has been obtaining up to C$235 an ounce recently.

It expects to reduce the mine's cost per ounce as deeper higher-grade ore starts coming through. The company's president, Mr. Paul Penna, is still hopeful concerning silver developments in the historic Cobalt area where, however, the veins, although extremely rich in patches, are *noted for their erratic occurrence.*

Rustenburg has raised its producer price of platinum afresh to $260 an ounce and is believed to have successfully renegotiated the prices for its American contract with Ford to supply the metal for car exhaust catalysts. *So the shares, now 89p against 107p* earlier this year, are once again being recommended by London brokers James Capel.

INSURANCE

Meeting the cost of industrial disease

BY OUR INDUSTRIAL CORRESPONDENT

IT USED to be reasonably simple for insurers to rate an employer's liability risk and have confidence that this rating over a spread of similar risks was sufficient to produce an underwriting profit.

Attention was concentrated principally on the accident injury record of the trade concerned and of the individual firm.

Scant attention was paid to the disease disablement potential, largely because there was little realisation in industry, either by management or on the shop floor, and little appreciation among insurers, that disease was a serious factor. The then state of medical knowledge, the restrictive nature of the then legal rules on the time in which claims could be brought, meant that few potential claims got off the ground.

Exceptions were recognised, principally pneumoconiosis and related diseases and, to a lesser extent, dermatitis; but by and large the long-term consequences of many industrial processes were ignored.

Now the scene is totally different. Medical knowledge has made tremendous strides and many legal rules have been relaxed or eliminated. The result *is that the citizen who today falls* ill with some hitherto unnoticed progressive ailment may be able medically to track this back to his job a decade or more ago, to show the cause to be his then working environment and, on *this evidence, to initiate a suc*cessful claim for compensation for his present condition.

It is estimated that there are now about 2,000 different illnesses which can be attributed to the individual's occupation, and the number grows with the introduction of new substances and processes. With the hindsight of current awareness, developed over the last 30 years, it would be foolhardy to assume that this number cannot double by the end of the century: equally it is certain that even today in spite of detailed consideration of hazardous processes and protective rules, many enterprises can be exposing their employees unwittingly to conditions that will reap a whirlwind of compensation claims in the 1990s.

Past and present cost is no sound guide to the future but, because much employers' liability business is experience-rated, it is very difficult for insurers to persuade policyholders and their advisers that premium provision is required for what might be called the incurred but not yet appreciated claims that will surface some time in the future.

Inflation will make the cost of such claims, when they do surface, much more than similar claims settled in current monetary terms.

It is often argued that there is little point in attempting to fund the cost now — that all insurers can do is to gear rates to known present incidence and cost and raise the premium in future years to cover outlay at that stage.

This is a facile argument *because future changed political,* economic and industrial conditions may prevent insurers from getting the premiums they then need but they may still be inescapably saddled with liabilities.

Moreover, there is a "catastrophe" risk, for in modern industrial processes it is unlikely that one or only a few people will be affected and it is reasonable to expect that over a period many employees will suffer *similarly if something* isgoing wrong. Once a new kind of claim comes to the surface it is inevitable that a snowball of claims builds up, of immediately incalculable financial consequence.

Take, for example, deafness, which is only now being fully recognised as an industrial problem, and which it is pessimistically suggested may rank 2m sufferers, who may have some claim to compensation for their disability. And as the potential was not recognised in the past, insurers have no money in the bank earmarked for this contingency.

Grass-roots help for Brazil's farmers

BY DIANA SMITH, Rio de Janeiro Correspondent

BRAZIL IS a primarily agricultural country yet has not had an official agricultural research corporation for more than five years. That abundantly illustrates the helter-skelter manner in which the country's farming has been conducted.

The corporation, however, known by its acronym of Embrapa (standing for Brazilian Agricultural Research Corporation), is determined to make up for lost time, with a combination of personal and collective enthusiasm, technical skills and dedication which help to counter-balance the widespread impression that Brazil is a country where the future is always just around the corner, kept at bay by those who are managing well for themselves and see no reason to allow changes that would benefit others.

Embrapa's essential purpose is to co-ordinate both scientific knowledge acquired nationally or abroad, and research systems set up nationwide, with local production systems. In the past, much of Brazil's investigation of farming methods has remained at a purely abstract level: Embrapa, by setting up strategically placed research centres wants to apply techniques locally, adapting them to the different climates and soil conditions, indoctrinating local farmers, and thinking several years ahead. The latter is definitely a new development for Brazil.

Local centres

Embrapa has 15 local centres scattered around Brazil from north to south. Its centre in the area of Petrolina, a small town in Pernambuco state, on the banks of the Sao Francisco River, which I visited recently, serves as a useful example of the range of activities in which Embrapa is engaged. The Petrolina centre covers an area of 100,000 sq. kilometres (about 39,000 square miles), in both the arid and semi-arid zones. Its experimental stations are located in Pernambuco, Bahia (across the river from Petrolina) and Piaui states. These are areas that, because of the unpredictable rainfall, combine dry farming with more recent modern irrigation methods, using the water resources afforded by the new Sobradinho dam and hydro-electric scheme near Petrolina.

Traditionally, the area is a blend of subsistence farming, either by smallholders or tenants (with over 60 per cent of those who work the land not owning any of it) on the one hand, and on the other, with larger, more profitable spreads.

Essentially, the purpose of the Embrapa centre is to improve the lot, and productivity of the smallholder or landless farmer, evolving the optimum crops for the climatic and soil conditions, and the cheapest, most effective forms of simple irrigation which can make full use of uncertain rainfalls or small reservoirs without requiring complicated technical knowledge or equipment.

At the Filadelfia experimental station in the semi-arid zone south of Petrolina, technicians are now working on a maize/red bean (phageolus vulgaris) inter-crop system.

Using, basically, the Aztec strain of corn but also successfully evolving a dwarf hybrid, the *Piranao* (with normal-sized ears and grains per ear), Embrapa technicians are testing 10 different situations, with lesser and greater degrees of irrigation, use of fertiliser, soil quality, number of stalks per hectare, in order to be able to introduce farmers to the most successful system. Bearing in mind the innate conservatism of all farmers, the Filadelfia technicians plan to take a half-dozen of the most receptive local farmers, work with them in preparing their fields, planting and irrigation, and then, when the results come in, let the remainder see the practical outcome for themselves — and imitate.

The semi-arid zone extends over 13 per cent of Brazil's entire territory (which totals over 8.5m square kilometres or 3.3m square miles) and 75 per cent of Brazil's North-East. The studies done by Embrapa prior to setting up its experimental stations have revealed the multiple shortcomings of the soil itself, with varying degrees of saline or alkaline content and a tendency towards poor water retention. Susceptibility to a wide range of crop diseases is high, and one of Embrapa's most urgent areas of activity is rapid development of the best forms of control.

Flying from Filadelfia to Petrolina by light aircraft — a rapid half hour's hop of some 120 miles—dramatically shows up the contrast between the areas. The road from the Filadelfia experimental station to the landing strip a few miles away is lined with cornfields or wild growth, as well as one of Brazil's newest and most potentially-interesting developments, the large-scale production of castor beans. Apart from their medicinal and other properties they yield a form of lubricating oil as efficient as that derived from petroleum.

Brazilian technicians are energetically engaged in research into alternative forms of energy derived from renewable sources, and in the last year successful pioneer experiments have been performed with castor oil and the oil of the wild, black quince. This plant grows in profusion in the dust bowl. Until certain properties were discovered that it shares with diesel oil it was considered a pest.

Very successful experiments in extracting alcohol from sugar cane, mandioc (cassava), coconuts, and sorghum have also been carried out. A 16 per cent ratio of cane alcohol is already being mixed with petrol in most Brazilian states, with efficient results and no damage to car engines.

A barrier of mountains separates the Filadelfia area from Petrolina and, after a smooth flight over the semi-arid zone and the mountains themselves, the aircraft, at midday, is caught in powerful heat-currents rising from the suddenly-visible near-desert conditions.

Irrigation, the technicians hope, will revolutionise local farming. Drawing on experience that some of them gained in fieldwork in Mexico or India, the young agronomists have developed simple systems of using clay vases or employing small cone-shaped clay pots connected by plastic hoses. Both systems cost little to install, use readily-available clay, and can be operated by anyone with what they decribe as a "modicum of common sense."

In one system the pots are fed by a 200-litre drum. The water is drawn automatically and continually, because of the difference of humidity between the porous clay and the soil. As a plant draws water from the soil it dries out, and more water exudes from the pot.

Practical test

The experiment is working with eight pots per furrow, 3 ft apart, nourishing five roots per pot and buried close to the surface. A practical test with melon seeds in February and March this year showed that the method can be successfully applied in regions with limited water and problems of salinity: the technicians are now working on extrapolations that will indicate the ideal number of pots per acre planted, depending on the different crops.

A short distance from the irrigation experiment Embrapa has a goat research station. The goat is no stranger to the North East, since its ability to eat virtually anything and survive in hostile conditions make it the ideal source of meat, milk, and hides. It can even survive, as the scrawny, wizened cattle of this area have often done, on the "animal feed of last resort"—the flesh of the abundant local cactus (with the thorns burned off, of course).

Embrapa is trying to evolve an even hardier breed of goat, with more flesh on its bones while, at the same time, improving pasture conditions and soil preservation—a task that, the technicians admit, may harbour risks in view of the goat's known ability to devour everything in its path and devastate entire areas.

Neglect

This particular area of the Brazilian North-East has a population of some 12m people, who, for generations on end, have tried to live with only sporadic rains or long droughts, primitive farming methods and, until more recent years, official neglect.

Even with new, ambitious irrigation projects on an industrial scale, planned to benefit small farmers, the benefits have tended to go to those already in more comfortable conditions. This is a problem recognised by the Government and, to its credit, it is making attempts to rectify the situation. The seeds of agrarian reform have been sown as have those of farming co-operatives, several of which are thriving.

The young men who are working for Embrapa often are highly educated. In the Petrolina centre alone there are five Ph.D.s and seven M.A.s, mostly trained abroad and mostly with field experience in the Far East or Latin American countries. What they are up against, however, is not only the entrenched social system of the region—one of endemic exploitation—but also the bureaucratic explosion which delays practical application of urgent solutions with requirements for dozens, sometimes hundreds of signatures on documents by scores of different government, state, or municipal departments.

Nevertheless, the signs are visible in the North-East that, this time around, new, young blood is determined to prevail whatever the difficulties and to help the small farmer, giving him a hope that he has never had before.

FINANCIAL TIMES SURVEY

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British Columbia

Building on the natural resource

The westernmost Canadian province has good growth prospects based on its forests, mines and other natural resources. Processing of raw materials offers investment opportunities within the limits imposed by geography and by a population that will remain small.

By W. L. Luetkens

CANADIANS LIKE TO describe themselves as hewers of wood and drawers of water, but as an urbane member of the Vancouver financial community likes to point out, they use pretty advanced technology to do their hewing and drawing. There, in a nutshell, you have a summary of the British Columbia economy, and a pointer to the direction in which the provincial authorities would like it to evolve.

The watchword is to build on the existing raw material resources, to husband and exploit them efficiently, and to use them as the basis for a limited amount of further manufacture. Given a population of about 2.5m, of whom 1.4m live in the cities of Vancouver and Victoria, there is not a great deal else that can be done. There is no base or desire for a fully developed manufacturing economy. Changes of government may change the emphasis, but not the pattern of the possible.

The days are long past when the lumberjack set out with an axe and little else into the forest which covers 60 per cent of the province to chop down giant trees more than six feet across at the base. Now the logging is done mechanically. And as regards the water, it is used to produce electricity. Hydro-electric reserves capable of development are about three times as great as the power that has been developed and covers present needs.

The forest industry is doing well, kept busy by the housing boom in the U.S. and the running down of pulp stocks in the world. The other scene of great economic activity is in the north-east of the province where large natural gas finds have been made. The non-ferrous mining industry, next to the forests British Columbia's second most important source of wealth, seems to be coming to the end of a number of thin years.

What all that adds up to is the picture of an economy that is likely to grow faster than the rest of Canada, but also of great vulnerability to the fluctuations of world demand and the tariff policies of its customers. Moreover much of British Columbia's strength is in capital intensive industries. That partly explains the paradox of a prosperous economy with a high unemployment ratio around 8 per cent. The forests, mines, and gaswells in the interior are not calculated to provide jobs for the city young and for the many immigrants attracted from the rest of Canada by the British Columbia climate: unique in Canada, the Vancouver region and coastal strip has a mild winter.

Selling

A possible growth area for the young and the better educated is in developing and selling technologies based on the needs of the industries that are strong in the province, such as forestry. British Columbias long coastline and the possibility of offshore oil and gas in the Canadian north and east provide another opening that has already led to the construction, in Vancouver, of submersibles for scientific and industrial purposes.

Heavier industry is not entirely unrepresented: a locally established company has signed letters of intent to buy billets in eastern Canada which will be shipped through the Panama Canal and rolled into wire rod near Vancouver.

Inward migration will probably keep the unemployment rate high even in the 1980s when the natural increase of the population will tail off. The increase has put an undue pressure on the ability of British Columbia (and of Canada at large) to create jobs. Unemployment is high even though the level of employment in British Columbia is likely to rise by 4 per cent this year and more than 2 per cent in 1979.

Like most of the Canadian West, British Columbia is divided sharply between the rural and small town areas with their primary resources—the agricultural townships, forests, and mining towns—and a service-orientated metropolitan region. Victoria is the capital but the main city of the province is Vancouver. It has the international airport, is Canada's main west coast port, and the main financial centre of the Canadian West even though Calgary and Edmonton in Alberta have become more dynamic. It is the home of the Bank of British Columbia, a Canadian chartered bank founded with the avowed object of catering for westerners who long felt that their interests were ignored in far away Toronto. The necessary equity capital was raised more or less by passing around the hat among the wealthy and the corporations of the West, and the Bank of BC, as it is generally called, has broken into the $1bn class.

The Vancouver stock exchange is not in the Canadian front rank, but it does provide those with a gambling instinct and money to spare with the opportunity to play the so-called penny stocks or penny dreadfuls. These are largely mining shares of unashamedly speculative nature, trading at an average price of about 70-80 cents a share. Vancouver is their preferred stock exchange.

The financial community sees a future for Vancouver in developing business with Japan and the rest of the Pacific Rim, which is also providing increasing markets, for instance, for British Columbia coal, fish products, and forest products. A large Japanese and Chinese community in the city which has retained a knowledge of its Asian languages can be an asset in this endeavour. The fact, however, remains that geographic propinquity is of limited value: a phone call from Vancouver to Tokyo takes no longer than one from London.

Asians have become an accepted member of the community after decades during which they were looked down upon and even excluded from certain jobs. But it is not only they who have come to change the ethnic composition of a province that was largely of British stock before the last war. The 1971 census showed 1.3m people of British stock living in the province, 198,000 of German, 138,000 of Scandinavian, and 58,000 of Chinese and Japanese stock.

The French, a sizable minority in Canada as a whole, numbered only 97,000 in British Columbia at the time of the census, and only 11,000 still spoke French at home. They appear resigned to living in an English-speaking milieu. The ancestors of some of them came across the continent in the 18th century in search of furs as did some of the British. Others came around Cape Horn by sea. In the late 18th century London began to take an interest in the region: Capt. Cook made a surveying visit in 1778 and refitted the Discovery. Next came the fur traders of the North West Company from Montreal and from Hudson's Bay Company. In 1849 Vancouver Island (but not what is now the city of Vancouver, which lies on the mainland) was made a Crown Colony. A year later a gold rush began which ended in 1865 after having brought miners from all over the world to British Columbia. It was the beginning of serious and permanent white settlement in the area.

British Columbia joined Canada in 1871, exacting as its price the construction of the Canadian Pacific Railway to link up with the rest of the country across the Rockies and the almost empty prairies. Remoteness from central Canada, now Ontario and Quebec, continues to play a role in British Columbia mentality. The suspicion that Canada was really founded to give Ontario a market for its manufactures is is widely held and not entirely baseless.

Bustling

The pioneer days may seem a long way away in the bustling streets of Vancouver or the tidy suburbs of Victoria with its pride in the English connection still apparent in well tended gardens and numberless Fish and Chip shops. But in spite of television, universal car ownership, and modern technology, life is a good deal harder in the logging camps and mining towns of the interior and the north.

There the company town is more or less the norm and it requires little imagination to guess what happens when the mine closes down either for a strike or for economic reasons. Stewart in the north is a case in point. Gold and silver mining took its population to 10,000 before the First World War. Some time after that war 17 remained. A copper mine employing 800 people in the early 1970s took the population up again to 3,000. Now the mine has closed: of the 1,200 left, many are preparing to go.

A similar yo-yo scenario may be played out in the north east of the province when the Alaska gas pipeline is built. Much money will be made before the caravan moves on, but move on it will. Opinions therefore are not entirely agreed whether the pipeline will be of much direct benefit to British Columbia. However, for the moment the region is booming both in anticipation and because it is finding natural gas of its own.

Given such an environment it need surprise nobody that British Columbia has a reputation for militant trade unions. At times the labour scene was almost chaotic, but the climate has greatly improved in the past few years. It remains to be seen whether warfare will break out again as the temporary wage controls imposed by the Canadian Government come to an end. There is some reason to suppose that both sides of industry are anxious to avoid a return to the past.

Hand-in-hand with a militant trade union movement, British Columbia has a strong New Democratic Party— a party of socialist inspiration and interventionist practice. Even in a bad year the NDP can count at about one third of the vote. In 1972 it got 40 per cent and turned out after 20 years in office the Social Credit Party. Social Credit has nothing to do any more with the unorthodox monetary ideas which it preached 40 years ago: it came to power in 1952 as a group supported primarily to keep out the NDP. It did so by preaching the gospel of business initiative, budget surpluses, and "no handouts," though it also managed to annoy the bankers by nationalising (or rather "provincialising") most of the British Columbia electric system.

The NDP Government of Mr. David Barrett only lasted from 1972 to 1975. A few ministers earned good marks, for instance for introducing a labour code and for improving surveillance of the securities industry. But several ventures into industry as a means either of preserving jobs or of providing the private sector with competition proved unsuccessful. Some of the holdings, with potentially juicy gas rights thrown in, are to be sold off by a share issue to the British Columbia public when the time is ripe.

In 1975 Social Credit returned under Mr. Bill Bennett, son of W. A. C. Bennett who had been premier from 1952 to 1972. It has in essence followed a good housekeeping line, tidying up a bad budgetary mess left by its predecessors, and preaching the merits of private enterprise. But it would be wrong to conclude that its philosophy is purely one of *laisser faire*. Its Minister of Economics Development, Mr. Don Phillips, is quite prepared to use the phrase "administrative guidance" when you ask him how he hopes to get the increased depth of manufacture that he aspires to.

In some spheres stronger powers do exist and are used. For instance it is almost impossible to export logs from British Columbia: to get a licence you have to show that you could not dispose of them on the Canadian market. Chips, the bits and pieces left over in a saw mill which can be turned into pulp for the paper mills, also need a licence. Lately the export of chips has been permitted, rather than letting them pile up unused at the mills.

As seems to be the fashion elsewhere too, British Columbia this autumn has been suffering electoral fever. Mr. Bennett does not have to go to the country before 1979, but might do so as early as this autumn. He wants to demonstrate to investors that British Columbia deserves their confidence, he says—and, indeed, an NDP victory would frighten many of them. The party is aware of it and has been trying to move towards the middle ground. At present the mortality rate among Canadian governments is high, but even a toned down NDP will find it hard to catch Mr. Bennett.

Unlikely

But a Bennett victory if and when the election takes place is unlikely to give him the investment boost that he is more or less promising the electors. Investment is already running at a satisfactory rate in the forest products industry. The mines are another story. No major new development schemes are known.

In the longer run many industrialists in British Columbia, not without support in the civil service, believe that freer trade with the U.S. may be an idea worth pursuing. It is an old theme in Candian history, recently revived by a committee of the Canadian Senate. Freer trade would remove debilitating U.S. tariffs from products such as plywood, newsprint and petrochemicals (though such an industry does not exist in British Columbia) entering the U.S. It might encourage more manufacture in the province. The big question is what price the U.S. would exact: free access to Canadian energy would almost certainly be part of it. And that might be too much for British Columbians and for Canadians at large.

Hope for a broader economic base

THE ECONOMY of British Columbia shows every sign of growing more quickly than that of Canada as a whole. That is a promise of no mean performance since Canada is expected to produce growth of about 4 per cent this year and only marginally less in 1979. By international standards that is no bad record.

The growth rate expected in British Columbia this year is 4½ per cent or more. Guesses for next year are hard to come by, but no especially drastic change is expected, either up or down. The problem for British Columbia is that it is almost entirely dependent upon what goes on elsewhere, principally in export markets in the U.S. Taking Canada as a whole, foreign trade has a share of about a quarter in GNP. In British Columbia, with a population of only about 2.5m, dependence upon the outside world may be twice as important.

Nowhere does this become more obvious than in the sales patterns of the two leading industries in the province. The forest products industry, which accounts for more than half the Gross Provincial Product, sells four-fifths of its output abroad. The mining industry did only 12 per cent of its business within Canada last year.

These are the industries with which prosperity stands or falls. The present position is encouraging to good. Forest products are booming, borne aloft by the high level of housing starts in the U.S. A setback had been expected late this year, partly for cyclical reasons partly because mortgage rates have been rising in the U.S. So far it has not occurred and men in the industry in Vancouver hope that nothing worse will happen than a softening of prices. Since they price their products in U.S. dollars they do have a little leeway, provided by the depreciation of the Canadian dollars vis-a-vis the U.S. currency.

Pulp manufacturers, who have long languished under the pressure of high world inventories, have seen their market recover this year. Prices have been improving, though not yet to the dizzy heights of earlier years in this decade.

Difficult

The mining industry is in a difficult spell, but seems to be over the worst. The price of copper has been recovering gradually, as has that of zinc. The Bank of British Columbia estimates that existing mines in British Columbia can break even when copper fetches 58-61 U.S. cents a pound. The price is higher now. But the same source also estimates that newly installed capacities would pay their way only if the price were to rise to US$1.15. So it does not look as though anyone will rush in with developing a new mine for non-ferrous metals in the next year or two though a copper mine will open this year.

There is a proposal for a uranium mine in the south of the province, which has run into an environmental argument. Elsewhere prospecting for uranium is going ahead intensely.

The mining industry is considered in detail in another article in this survey, but it is worth noting a paradox that has greatly helped producers of molybdenum, a metal used in making special qualities of steel. Though the steel industry is in a mess everywhere, the price of molybdenum has been rising steadily. The metal is a by-product of copper and as copper production fell, so molybdenum became short.

The real excitement at the moment is in the search for natural gas in north-eastern British Columbia. Activity is said to be at double last year's pace and there is a shortage of drilling equipment. Natural gas is a product which is exported from British Columbia to the U.S. in large quantities, though the share of exports in production is distinctly lower than in the case of mine products.

In addition to natural gas and a dwindling supply of its own oil, British Columbia has abundant coal, both of thermal and of metallurgical qualities, and a considerable undeveloped hydroelectric potential. The provincial electric power authority, not necessarily to the delight of the provincial Government, has begun a debate on whether generating power should be installed with a view to concluding long term export contracts with customers in the U.S.

In addition the main props of the provincial economy are catching and canning fish, especially salmon, largely for export markets; and tourism, again with a considerable share of its market outside Canada. Though with considerable variations, the pattern throughout the main industries therefore is one of dependence upon markets elsewhere. Since it is easier to ship coal from British Columbia to Japan than to Ontario, or lumber to California than to Quebec, it is the markets outside Canada that count for the most.

The province therefore is especially vulnerable to the ups and downs of the world economy. In order to minimise that vulnerability, but also to combat a chronically high unemployment ratio, the provincial authorities would like to give greater depth of manufacture to their industries, adding as much value as possible to products before shipping them abroad.

The theme is a common one in Canada whose wealth is historically founded upon raw materials and lately upon the domestic energy supply as well. British Columbia, so the argument runs, has abundant wood, minerals, and energy, as well as a skilled industrial labour force. It lies on the Pacific trading routes; a careful look at the map will show that Vancouver is not far from the great circle routes between California or the Panama Canal and the markets in Japan and Korea. Moreover refined products tend to be less bulky to ship than raw materials.

Above all in the case of forest products has the argument for greater added value appealed to the authorities in Victoria, capital of the province. At present that industry by and large ships paper, newsprint, pulp, structural wood, and plywood. Why not go farther and turn the wood into a finished product, such as window frames? A certain amount of this is happening: wall covering panels made of British Columbia cedars have found a promising if so far small market in continental Europe. But the difficulties are great. The quantities involved are smaller than what the big forest product companies are accustomed to; building standards vary throughout the world; and tariffs in general are higher on finished or semi-finished products.

Highest

Local costs pose another problem. In the mid-1970s British Columbia probably had the highest wage level in North America. The decline of the Canadian dollar and the Canadian wage controls imposed in 1975 have probably changed that, but labour costs are high none the less, especially compared with those of the largely non-unionised southern U.S. But wage controls are coming to an end and nobody can be quite sure what will happen next.

British Columbian construction workers, with a long record of militancy and strikes, settled very quietly this year, accepting an increase well below the probable inflation rate. Among the employers and in Government that was taken as a good omen.

The construction industry is in a cyclical depression in the province so that the unions were under considerable pressure to put jobs ahead of wage increases. But there was more to it than that. The existence of a new labour code made it possible to bring all the unions to the same negotiating table, forestalling the leapfrogging that had been common practice before. That is seen as a sign that labour relations in the province may in future be less fraught with conflict than in the past.

Next year will be the testing time when a number of important collective contracts run out. The most important will be that of the woodworkers, who man the forest products industry. They will be making their claims in mid-1979 and given the healthy state of the industry (and the bonus from the devaluation of the Canadian dollar), the union does have a fair case. But talking to union leaders one does get the impression that they are anxious not to overstep the mark.

The basic innovation brought in by the labour code was an administrative board to hold the ring in industrial disputes. In Canada, unlike Britain, collective bargaining agreements are justiciable and the danger always was that attitudes would harden once injunctions had begun to fly. The board which has been set up can operate more discreetly and try to arrive at peaceful solutions behind the scenes, though it is not an arbitrator. The final sancion of court action remains and British Columbia, like most of the rest of North America also has the possibility of ordering strikers back to work by legislation passed ad hoc.

Ironically the labour code, though eventually passed with all-party support in the provincial legislature, was introduced by the New Democratic Party Government which ruled the province from 1972 to 1975 and was held in widespread contempt in the business world as pro-union and, indeed, socialist. Ironically, too, it was the NDP which in 1975 passed legislation to end a wave of strikes which had engulfed 85,000 people in the private sector.

Confidence

At the end of that year a Social Credit Government of a fundamentally pro-business or at any rate anti-interventionist complexion came in and has been making much play of the need to restore conditions in which investors would once again display confidence in the province. A chief instrument to that purpose has been budgetary policy applying traditional standards of good housekeeping. Both budgets completed under Social Credit ended in surpluses, after initial increases the tax burden has been reduced, and the prospect of further cuts is held out.

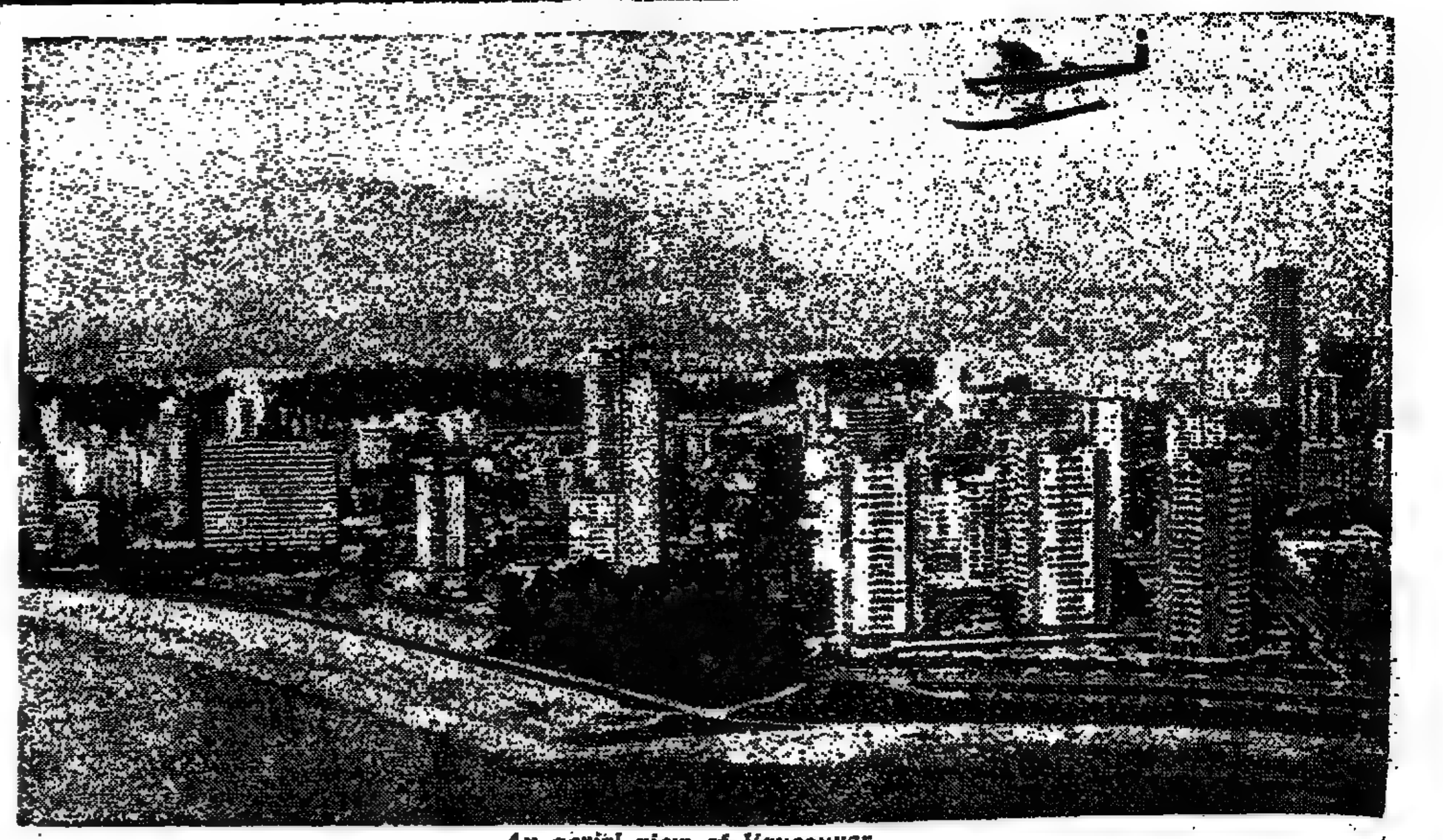
The Finance Minister, Mr. Evan Wolfe, has set himself the goal of reducing the size of the provincial budget expressed as a share of Gross Provincial Product. When he took over that share was 17 per cent, at present he is down to 15 per cent. The target is to get to 12 per cent where it was under a Social Credit Administration in the 1960s.

Mr. Wolfe knows that doing so will require a succession of years of good growth since the welfare system is as highly developed in British Columbia as in most other Canadian provinces. But his underlying intention of transferring resources and responsibilities from the public to the private sector is one that has become fashionable in Canada: even the Liberal federal Government in Ottawa is using similar terms.

As an experiment in good housekeeping, two government departments in Victoria are adopting the principle of "zero budgeting," which has gained some support in business. What it means is that instead of continuing your programmes from year to year essentially by adding to (or deducting from) the previous year's allocations, each programme has to be justified annually as though starting from zero. Given that most expenditure is governed by legislation, the scope for economies is, of course, limited.

There are obvious pitfalls in trying to run government like a business, and the Government's opponents will not be slow to point them out. But the pitfalls may be even greater in running government in an unbusinesslike way. There is some reason to suppose that that realisation has come home not only to the Government.

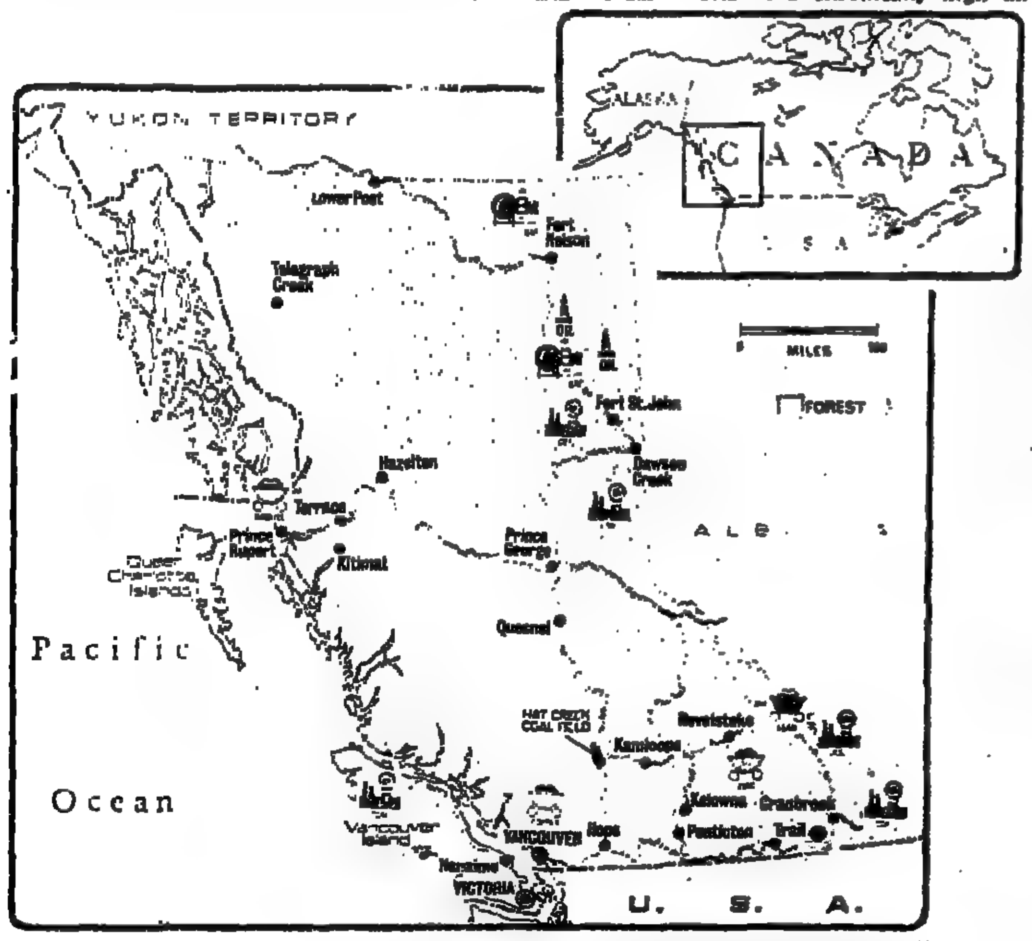
W. L. Luetkens



An aerial view of Vancouver.

BASIC STATISTICS

Area	366,000 sq miles
Population	2.5m
Gross Provincial Product	C$24.7bn
Labour force (1977)	1.3m
Unemployment	7.2 per cent
Personal income per capita 1976 (est.)	C$7,091
Value of mineral production (1977, prelim.)	C$1.8bn
Sales value of forest products (1976)	C$4.1bn



Tapping the energy boom

THE MAN from the ministry had a brand new kind of economic indicator. Up in the area of Fort St. John in north eastern British Columbia businessmen were so busy making money that they had stopped holding Chamber of Commerce meetings. The significance of that particular indicator may be debated, but it is quite true that the gas boom in Alberta has spilled across the provincial border into north-east British Columbia, and the drilling crews are hard at work.

Gas is the most immediately profitable source of native energy in British Columbia: export licences have been granted for the sale of up to 281bn cu ft a year to U.S. markets until 1989, at a price at the border of $2.16 per 1,000 cu ft. Once the gas runs out — and at present it is expected to last for 20-30 years at least — there will be coal reserves to fall upon, hydroelectric potential far in excess of what the province needs in the medium term future and a more exotic potential in the form of geothermal power. The oil industry, on the other hand, looks less healthy. At the moment it provides about a quarter of what British Columbia needs, and that proportion is expected to decline rapidly.

Oil apart, these are long-term assets for British Columbia although so far it is not entirely clear how the provincial Government intends to use them. An energy policy is only just in process of being put together. The scope for it is limited: although natural resources are a provincial responsibility in Canada, foreign trade is not, which means that decisions affecting exports to, say, the U.S. or Japan, have to be made in concert with the federal Government. Moreover, the uncertainties surrounding the future of U.S. energy policy are bound to reflect upon British Columbia.

Its neighbour in the east, Alberta has decided to use its oil and gas supplies as a base for attracting secondary industry, and in particular for the creation of a word scale petroleum chemistry complex. A similar idea has been examined in British Columbia, but does not appear to look economic for the moment. Tariffs, especially in the U.S. are one reason; the existence of two such petroleum chemistry complexes in Canada, one in Alberta, the other in Ontario, are another.

That does not exclude an attempt to attract secondary industry to British Columbia by holding out the prospect of assured energy supplies. An effort in that direction was made some time ago by trying to encourage Japanese interests to set up a steelworks on the base of British Columbia metallurgical coal. The world steel crisis caused the idea to be shelved.

Exporter

The episode tends to support the impression that British Columbia will remain a willing exporter of energy for the foreseeable future. What then are the milestones ahead that can be detected?

● GAS. The known saleable reserves are of 8.7 trillion (million million) cu ft, to which 7.7 trillion cu ft gross will have been added by the end of the century on a conservative estimate. Potential reserves are a good deal higher: geologists have estimated that they amount all told to 30-40 trillion cu ft, though there is no guarantee that they are there, can be found or will prove extractable.

At the present favourable moment, with a tax regime that has satisfied the industry, exploration is going full tilt and producing discoveries at an annual rate of 490 cu ft. As a result a net 130bn cu ft were added to British Columbia reserves in 1977.

It is a result of North American geography that the main market for gas surplus to British Columbia requirements should be in the U.S. At present there is not even an adequate pipeline facility for moving gas eastwards from the province. Nor is there much call for one, since Alberta, to the east of British Columbia and the main supplier of markets in eastern Canada, has a surplus of its own.

Under these circumstances a pipeline to carry natural gas from British Columbia to Ontario does not look like a practical proposition. That is the good fortune of the province since, as things stand, exports are more profitable than domestic sales and the logic of geography deprives the federal authorities of one possible argument for holding down exports in the interests of the Canadian supply of energy overall.

Things may change, however. For a start the entire question of the domestic pricing of natural gas has been reopened in Canada. The long-term pattern has been to allow the domestic oil price to creep up towards the world level, and to price natural gas at 85 per cent of the oil price by calorific value. Now a deregulation of gas prices has been proposed from Ottawa, although the means of going about it are unclear. Given the present temporary surplus of gas supplies deregulation should depress the domestic price, but long range implications may be different.

In addition Ottawa is anxious to supply the fuel needs of the provinces east of Ontario by extending the pipeline from Alberta. That would greatly diminish Alberta's surpluses and could eventually suck in gas from British Columbia. The Governments of both provinces can be expected to fight for a good price if their exportable surpluses are thus reduced.

● COAL. Unlike British Columbia gas, coal from the province already travels the more than 3,000 miles across the continent to Ontario, perhaps because railways to carry it have existed for a long time. But the decision of Ontario Hydro to take limited shipments of coal from Alberta, with a certain amount from British Columbia added on, is fairly recent. A loading terminal was commissioned this year at Thunder Bay, at the western end of Lake Superior, which is capable of handling up to 3m tons of coal annually as it arrives across the prairies by unit train. That capacity can be doubled at short notice.

The coal, after crossing half a continent, will cost Ontario Hydro more than the U.S. coal that it burns in its thermal power stations. But long-range planning seems to have turned the balance: if North America really runs into an energy shortage in the 1980s, domestic mines may be a more secure source of supply than those in the U.S. Besides, coal mining in western Canada is not labour intensive, and there thus is a possibility that the cost advantage of the U.S. mines may in time be reduced.

Backbone

It is not, however, thermal coal but metallurgical coal which forms the backbone of the British Columbia coal mining industry. The province's thermal coal, used as fuel, is something of a byproduct of the more expensive coal used to smelt steel.

Last year British Columbia mines sold almost 10m tons of metallurgical coal, worth $C344m, mainly to the Japanese. When the contracts were renegotiated recently the Japanese did not insist upon reduced tonnages and conceded a price increase of 4.1 per cent in spite of the poor shape the steel industry is in almost everywhere. Nevertheless, it is wise to be cautious about some forecasts circulating in the industry to the effect that by 1982 British Columbia may be shipping up to 18m-19m tons of coking coal, the main incremental quantities going to Japan and to other destinations around the Pacific.

The outlook, however, is adjudged sufficiently promising for there to be a strong prospect that a new coal mine will be opened in four or five years at Campbell River; the necessary applications have been lodged.

The provincial coal reserves are estimated in hundreds of billions of tons; precisely how large they are seems to be pretty well unknown, and in any case much will not be economically worth exploiting under foreseeable circumstances. The coal is mainly, but not exclusively, found underground, but it is capable of being worked by labour-saving methods. Kaiser Resources, the biggest company involved, has adapted a method of hydraulic mining practised in Japan and the Soviet Union.

Hydraulic mining is possible because the coal deposits worked by it are very thick. Access to them is not by digging a vertical shaft down into the earth, but by drilling on an upward slant into a mountainside. The coal is then cut loose by a high-speed water jet directed at the face and is floated out into the open. Productivity of about 30 tons a man/shift has been achieved.

● ELECTRIC POWER. A very low-grade surface deposit of thermal coal at Hat Creek in the south of British Columbia has been proposed as the site of British Columbia's first important coal-fired power station. For a start four units of 500 megawatts each are under consideration, an amount that could be doubled.

To appreciate what that means it is useful to know that at present the provincial utility company, B.C Hydro, has 5,800 MW of installed hydroelectric capacity, plus 920 MW in a gas-fired plant for peak demand in the Vancouver area, and another 900 MW in diesel plants supplying outlying islands and areas not on the grid.

Hat Creek promises to cause a first class row. A report on the environmental damage (mainly digging a huge hole which will not be filled in and cannot be turned into a lake because the subsoil is unsuitable) was leaked recently. At the same time Mr. Robert Bonner, chairman of B.C. Hydro, began to argue that his company should be allowed to export power to the U.S. on a large scale instead of the present arrangements involving helping each other out when in need.

With that proposal Mr. Bonner touched upon a raw nerve. Since the first world war Canadians have been debating whether it is wise or foolish to sell power to the U.S. The question has become an emotional one, rather than one of economic reason— such as whether exports would help the balance of payments, or whether they would involve also exporting job opportunities. Curiously there seems to be much less reluctance to export natural gas. In any event, the provincial Government was careful not to take up a position backing Mr. Bonner, though it did not disown him either. The argument whether Hat Creek is necessary and desirable remains unresolved.

Triple

Hat Creek apart, the province has some 18,000 MW of hydro power still capable of development, which would just about triple the amount of power available. Given a forecast that demand will double in 10 years, that is not too bad a position. Nevertheless B. C. Hydro is exploring the potential of a possible geothermal site in Meager Valley which could be producing something like 1,000 MW around 1990.

● OIL. The province at present produces some 40,000 barrels a day, compared with consumption of 172,000 b/d. By 1995 consumption is expected to have risen to 250,000 b/d, while production will have tailed off to 8,000 b/d. Recent finds of some new oil have not been big enough to suggest that the pattern will significantly change.

The prime concern of the British Columbia Government, therefore, is to stake a claim to oil from Alberta, where production is expected to begin tailing off in the 1980s (though recent discoveries and the potential of the oil sands may change the pattern). British Columbia's argument is that the small market which its province represents could live a very long time on Alberta's exports, while the industrialised areas of eastern Canada would quickly drain the resource.

So in this case the argument is turned round. There is little interest in British Columbia in supplying gas to the rest of Canada; but there is great interest in having Canadian oil. In addition there is a possible future for British Columbia coal in Ontario. No wonder federalism can be tortuous in its ways.

W.L.L.

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BRITISH COLUMBIA...... NOT WAITING FOR TOMORROW

Province of British Columbia
Honourable Don Phillips, Minister

Ministry of Economic Development

Policy to preserve the forests

FOREST PRODUCTS represent about half of the Gross Provincial Product of British Columbia, and forest products are doing well. Housing starts are continuing at a high rate in the U.S., which means good demand for lumber from British Columbia; and the pulp cycle has begun to turn up, with inventories in the main producing areas of the non-Communist world almost back to normal. Some clouds remain on the horizon. Pulp, though up to $U.S.375 a ton from $310 in March, remains well below the $410 at the peak in 1973. Moreover there is some debate whether high interest rates will cause housing starts in the U.S. to fall back from late 1978 onwards. The view in the industry appears to be that lumber prices may begin to soften soon.

Leading men in the industry do not, however, appear to be excessively perturbed by the prospect. In the case of integrated companies they place hopes upon the continued running down of pulp inventories. Moreover, the Canadian dollar remains weak; since export prices are expressed in U.S. currency and since, so far at least, there has been no need to pass on the benefit of devaluation to export customers, the benefit to the cash flow of the forest products companies has been considerable. Debt/equity ratios have been largely restored to the levels of the early 1970s.

It is the U.S. market that determines the prosperity of the British Columbia forest products industry: of its total shipments of $4.1bn in 1976, $1.8bn went to the U.S., with only $880m staying in Canada, and the EEC following as the third customer with $775m. In the case of lumber the orientation towards the U.S. is even more pronounced: about 75 per cent of total production is exported, and four-fifths of that goes to the U.S., equivalent to 60 per cent of the total. The devaluation of the U.S. dollar (in which export prices are expressed) could support the efforts of the British Columbia industry to open up new markets elsewhere. Success so far has been limited.

One reason is merely rooted in geography: the U.S. Pacific coast is very close, whereas Europe is far away. As in the case of other industries, British Columbia is therefore looking to other Pacific countries to provide additional markets. Japan is a case in point, and has been taking steadily increasing (though still small) amounts during this decade (except for a setback in 1975 when there was a strike in British Columbia). For the foreseeable future, however, the U.S. will remain the main market. British Columbia lumber (meaning wood cut for construction purposes) enters the U.S. duty free: it is a different story in the case of newsprint, which is subjected to a 20 per cent U.S. tariff. That is one reason why the U.S. ranks behind the EEC as a market for newsprint from British Columbia.

High U.S. duties also restrict export opportunities for plywood. The EEC has granted a duty-free quota which has preserved British Columbia's traditional market in Britain and added to it opportunities in the rest of the Community.

In assessing the future of the forest products industry in British Columbia one comes up against two limiting factors. World demand is unlikely to grow quickly for these products. According to an estimate prepared by the Food and Agriculture Organisation of the United Nations, world demand for lumber and structural woods will continue to rise by only 2-3 per cent a year; the estimate for paper and paperboard is about 3½ per cent.

Those rates are not princely and do not hold out the prospect of further dramatic expansion in British Columbia, in particular since Canada, and with it British Columbia, is the residual supplier in its main markets and hence liable to especially pronounced cyclical swings of demand. (Some residual supplier one might add: about half the softwood lumber traded in world export markets is cut in the province.)

As on the demand side, supply also presents a theoretical but none the less real limit to growth. About 3.3bn cubic feet of wood mature annually in the province, compared with 2.5bn cubic feet cut last year. But the excess of 800m cubic feet is illusory: much of it grows in areas too inaccessible to be logged economically. The highest annual harvest, as it is called, that can be sustained would be about 3bn cubic feet, and even that would depend upon building new roads, greatly increasing the distance along which newly cut trees have to be hauled to saw and pulp mills, and maybe extending the British Columbia Railway to the north—something that may not be easy to finance, given the railway's current performance.

Yet measured against the forecast slow growth of world demand, the potential extra 500,000 cubic feet of cuttable wood do represent a considerable reserve. Moreover it may prove possible to enhance it by methods of forest management. At present you can assume that in British Columbia a tree needs 80 years to mature, a period that will be longer in the north of the province. The adoption of plantation methods, involving more intensive methods of fertilisation and thinning out as well as attention to the genetic quality of seed, could reduce that period to 60 years in the view of some members of the industry.

Even so it will be longer than the 20 year cycle of the southern pine grown in the southern U.S. On the other hand the slower growth of the north produces a tougher wood, and a longer fibre for paper, and given the immensity of space available in British Columbia, the industry does not appear to be unduly worried about this particular competition, or that from the hardwoods of Brazil.

FOREST PRODUCT EXPORTS (C$m)

Commodity	Destination: U.S.	Japan	UK	Other EEC	All other	Total
Crude materials (roundwood chips etc.)	42	33	1	—	2	77
Fabricated	2,318	331	251	476	322	3,699
Thereof:						
Lumber	1,482	180	103	80	77	1,922
Plywood	1	—	38	33	—	73
Pulp	349	130	84	331	128	1,022
Newsprint	295	1	—	1	82	378
Other paper	11	20	26	30	35	121
Grand Total	2,360	364	252	478	323	3,776

Figures rounded to nearest $ million.
Source: Council of Forest Industries of B.C.

It helps to get an idea of the scale to know that in five years from 1972 to 1976, 267m trees were planted to replace what had been cut down. It is part of the policy of "sustained yield" introduced 30 years ago, the decision to ensure that the forest resource of the province is not run down. The province, which owns almost all the forests, has powers to revoke cutting rights sold to loggers who do not live up to their obligation in this sphere.

A new Forest Act passed this year is intended to provide greater incentives for good management. The cost of management is to be made fully deductible from stumpage, the money that has to be paid to the Crown for trees felled on land licensed from it. Good management in the forest area obtained by licence is to be rewarded by permits to cut larger numbers of trees. The reaction in the industry, which has not yet seen the regulations controlling administrative practice, has been "so far, so good." The actual results will have to wait for a long time, given the time it takes for trees to mature. Although forest management was brought in a generation ago, the fact is that almost nowhere in British Columbia are trees being cut that were planted subsequently.

To this day the lumberjacks and their felling machinery are going out either into virgin forest or into the so-called second growth, meaning trees that have grown by themselves on land once logged over. As the area of virgin forest diminishes so should the cost of logging. The giant douglas firs, 6 ft and more across at the base, are not necessarily the forester's delight. After several hundred years of growth they are frequently no longer sound throughout, producing wood that may have to go into pulp mills. Moreover, when one of the giants crashes it may damage a lot of other trees on the way down.

These huge trees are found in the coastal strip of British Columbia, where the industry began seriously in the last century—a time when trees were hauled down the forest roads by trains of oxen. Next came the stationary steam engine fired by the waste wood. Nowadays the lorry has taken over. Forestry for more than local demand spread to the interior much later. As a result plant there tend to be more modern—one reason why some plywood capacity in the Vancouver area is being closed down.

The improved deductibility of management costs has pleased the industry, but that does not mean that it is happy with government fiscal practice. The effective corporate tax rate (excluding royalties for the trees) works out at just below 50 per cent in British Columbia (provincial and federal taxes included) as against 38-40 per cent in the U.S. Some of the differences have been pinpointed in a recent report prepared for the Canadian Government by a group of industrialists, trade union leaders, academics, and civil servants. What it will lead to is anyone's guess. It is true that the British Columbia Government on the whole has a low-tax philosophy, although its opposition does not. It is true also that in Ottawa there has been much talk of transferring resources from the public to the private sector. But Canada has a tradition of greater public spending than is usual in the U.S., and in any case Ottawa has only very limited margins within which to forego revenue.

One suggestion that has been made as a long-term policy for the British Columbia forest products industry is to increase depth of manufacture and with it added value. It is a common theme in Canada, but the possibilities are limited. Lumber enters the U.S. duty free; a window frame, to pick out a product that has been discussed, would carry 20 per cent duty. Moreover, British Columbia wage rates are high, so that there is no possibility of compensating for the duty by lower labour costs. Markets outside the U.S. are considered to be too far and too fragmented.

The general pattern, therefore, is one familiar from many other sectors of the Canadian economy. Strength resides in the natural resource. In the case of the forests of British Columbia it is one that is capable of constantly renewing itself, given the necessary care and attention.

And care and attention it certainly needs besides replanting. Fires are a constant preoccupation: in the 10 years to 1977 they destroyed trees worth almost $40m. This year has been especially bad, with damage well above average. Of 25,000 fires in the 10 years to 1976, more than 3,000 were blamed on smokers. Nature herself was even more careless: lightning caused more than 9,000 outbreaks.

W.L.L.

Fishing enjoys a boom

IN THE late weeks of winter, a flotilla of British Columbia fishing boats ventured on to the stormy North Pacific in a modern day gold rush — roe in the bellies of millions of spawning herring.

This is the hottest boom in an industry that has seen its share of busts. In frenzied bidding this year roe buyers for Japanese gourmets boosted the price of herring from its normal food value of about $400 a ton to nearly $1,200 a ton. Herring, the success story of the 1970s for Canada's $380m west coast fishing industry, is also an essential part of the industry's challenge for the future.

The harvest of herring roe was probably the last of the short-term bonanzas for the province's fourth-largest industry. The outlook now is for steady, but strong, growth. One of the brightest forecasts is that the Canadian west coast fishery could triple in 10 years, dependent mainly on control of salmon stocks and development of some underutilized species of ground fish.

Competitive marketing will be crucial. The affluent Japanese have taken up some of the slack after rising prices softened the important UK market for salmon and there is growing talk of the need for a single marketing agency.

Another key will be firm Government management through licensing and enhancement programmes to play an increasing role in maintenance of the resource as environmental damage and overfishing take their toll.

The Canadian Government, responsible for the management of the fisheries, talks of doubling the salmon catch in 15 years. Together, the five types of salmon are the backbone of the British Columbia fishery, comprising about two-thirds of the industry's total landings and total wholesale value. The Government's 15-year salmon enhancement programme launched last year will cost $150m during the seven-year first phase.

West coast fishing received its biggest shot in the arm from Canada's declaration last year of 200-mile economic zones reaching out into the Pacific and Atlantic. It drastically reduced foreign fishing. That extension led on to a dispute with the U.S. about the precise alignment of international boundaries off both coasts, and sparked this year's so-called fish war.

Canada ordered U.S. boats out of its territorial waters, and the U.S. retaliated with a similar ban on Canadian fishermen, ending unsatisfactory, interim, bilateral agreements that were supposed to hold while diplomats negotiated boundaries over resource rich sea beds.

Canadian trollers have lost about $6m worth of salmon they were to have taken off the State of Washington. American boats have been denied about $8m in ground fish from around Vancouver Island. It is, however, one of the friendliest wars imaginable. Negotiators are near an agreement on west coast (though not on Atlantic coast) issues that should permit reciprocal fishing next year, although the actual settlement of the boundary dispute, particularly on the east coast, may take years. The central point is a treaty limiting each country's interceptions of the other's migrating salmon.

Nearly 90 per cent of British Columbia fishermen own their boats, even though many are mortgaged to the big processing companies. (In the Canadian East, 90 per cent of the boats are controlled by the processors.) It is the boast of many of the fishermen that they are independent businessmen, who have not needed the heavy federal Government support subsidies that have built fish plants on the east coast, or called for assistance in marketing their catch.

British Columbia is the only fishing province that does not have a provincial Government ministry devoted exclusively to fisheries. The status and relative self-sufficiency to the west coast fishing industry has meant, however, that it has not commanded the political clout in Ottawa enjoyed by its Atlantic cousins.

Although Japan is a fast-growing market, investing heavily in the British Columbia industry to safeguard it supply, traditional markets such as the U.S., UK and Continental Europe are still the most important.

About half of British Columbia's canned salmon goes to the UK, and most of the salmon frozen for export goes to Europe, with Japan a significant buyer in recent years. Japan is virtually the entire market for the herring food fishery, and one of the challenges for the security of the fishery is to open up markets in Europe. A 21,000-ton herring fishery this autumn is earmarked for West Germany and the UK—about 15 per cent of the total annual catch.

While the 200-mile zone brought security and new prosperity to the west-coast fishery, it has also added a new anxiety: foreign control, ownership and influence. For the moment the Japanese are the most active.

With ocean stocks depleted by overfishing, its boats barred from rich, inshore grounds by the adoption of 200-mile economic zones by many countries, Japan is going fishing with its bankbook. It has bought into the fishing industry up and down the Canadian and U.S. west coast. The Japanese offer loans to fishermen, one of the conditions being first right of refusal to their catch. They buy interests in established processing plants, and in some cases incorporate their own companies and build new plants.

Wholesale value of products (C$m in 1977)

Total	363.2
Salmon	229.8
Halibut*	9.8
Herring	89.1

*Another C$2.9m landed in U.S. ports.

Canadians complain that federal Government foreign investment screening is as leaky as some of the fishboats that put to sea in the herring roe regatta. They grumble that the Japanese might be able to hog the harvest in a poor year. Japanese debentures in the fishery are estimated to total C$20m.

Indian leaders have been demanding an allocation of 25 per cent of the total salmon catch, inspired partly by a controversial court decision in neighbouring Washington State which interpreted the wording of a 120-year-old treaty to mean that natives there should be entitled to take half the allowable salmon catch. This year has seen allegations repeated of large-scale salmon poaching by Indians, and an unsuccessful court challenge by an Indian organisation of fishing restrictions imposed by the Government as a conservation measure.

Ultimate resolution of these differences will come only with a settlement of complicated claims which will have to deal with demands for Indian control of the inland salmon fishery—impinging upon the operation of hatcheries and natural spawning, and involving the very survival of the salmon.

Continued prosperity in the fishing industry is tied to expansion in four major sectors: Herring, salmon, the ground fishery, and shell fish.

Despite the gold-rush fever of the herring fishery, today's catches are running at only 40 per cent of the good old days 15 years ago when fleets grossly overfished the west coast herring, forcing a four-year closure.

In the past five years, herring has again become the west coast's number two fishery. Last year's catch was 107,000 tons. That produced almost 17m lb of roe and 41m lb of frozen fish. Roe, which sells for more than $20 a pound as a delicacy in Japan, accounts for about two-thirds of the herring production value for the British Columbia fishery of $89m.

The big challenge for the herring fishery is to find ways to use the roe-stripped carcasses for food. Most of the carcasses now are turned into fish meal and oil, in demand for poultry food.

Market potential for salmon is seen in the growing preference for frozen fish in Europe and Japan, particularly of varieties previously most popular for canning.

The Government's salmon enhancement programme involves building new hatcheries, man-made spawning channels in river beds, clearing polluted stream gravel beds, building channels around river obstructions such as power dams and enriching lakes.

There has been startling success with one experiment on Vancouver Island. Large, low-flying aircraft dump tons of fertilisers to stimulate plankton growth, producing larger and healthier young salmon. Fish yield jumped 25-fold, an estimated return on investment of $72 for every $1 spent. Fisheries officials talk of restoring salmon runs to historic levels, which would require roughly double present stocks.

The ground fishery, still recovering from heavy overfishing by foreign boats before the declaration of the 200-mile zones, is another area for future growth.

Officials estimate that until 1977, the foreign ground fish catch far exceeded Canadian landings of hake, sole, cod, rock fish, and ocean perch of 25m lbs. So far, some ground fish species have not been fished substantially by Canadians.

The traditional shellfish landings of shrimp, crab and oysters will be supplemented in the future by new markets for squid, abalone and clams. Some see a vast, untapped market for the lowly, but prolific mussel. And that is not the end. Spain, for example, has expressed interest in goose-neck barnacles, previously an undreamed of harvest.

Robert Williamson

Decline in mining

BRITISH COLUMBIA'S mining industry hopes it can catch the brass ring the next time world metals prices swing up, probably in the early 1980s. The last time round the industry missed the ring altogether as the time and energy that should have gone to finding and developing new mines went to fighting the provincial Government and royalty legislation that sucked most of the extra cash flow from high metals prices out of the miners pockets into the provincial treasury. The legislation was changed shortly after the people of the province dismissed New Democratic Party government headed by David Barrett and installed the Social Credit Government under Premier William Bennett.

But by then the ring had gone by. World metals markets were sliding off into a slump, mines had taken their geologists and exploration teams elsewhere and industry confidence was about sapped. Although some confidence is starting to return, the industry is still judged to be in a pattern of long-term decline, according to a study by Price Waterhouse and Co., the chartered accountants. Its independent study found that no substantial expansion of the metals mining industry is expected for several years and that development in the coal industry is slower than anticipated. "Such expansion as may be in the planning stages at present could well be offset by mine closures brought about by low prices or the exhaustion of existing ore bodies," the accountants said. The study found that the number of operating mines in the province was down to 21 at the end of 1977 from 24 in 1975. Three more closures are expected this year and a fourth mine is near the end of its reserves, according to Harvey Parliament, president of the Mining Association of British Columbia.

Only one mine is opening this year, the first new metals mine in five years. That is the copper mine and smelter near Kamloops, B.C., in the heart of the province's ranching country, In fact, Afton Mines Ltd., a subsidiary of Teck Corporation Ltd. of Vancouver, operates a huge cattle ranch next door to the mine. After being delayed for some months by an inter-union squabble, the $85m project began producing blister copper this spring for two British customers who have a long-term contract for the copper. BICC Limited and Delta Metal Co. Ltd. will take 25,000 tons of blister copper a year. The ore body which Afton has started to mine has 34m tons of ore grading on average of 1 per cent copper and significant gold content.

Dr. N. B. Keevil, Jr., the president of Teck, said that there are a number of other projects on the shelf in the province, that could be developed at the right price but many of them appear less economic than six or seven years ago when they were first talked about, only to be put off then in the light of the taxation legislation. Three factors account for the decline in the viability of these projects: taxes are still high with the corporate tax rate on mining higher than on manufacturing; costs of developing a new project have risen as have operating costs for a completed mine; and too many producers are willing to produce copper at a low price. For the BC mining industry, "the short term problem is the market; the longer term problem is confidence," he said.

A key factor in restoring the confidence of the industry will be the outcome of the next provincial election, which could come as early as this autumn. If the Social Credit Government is returned to power, the industry would feel that with a friendly Government in Victoria for another three to four years, it could plan new projects with the assurance that a tax rule change would not kill them before they get off the drawing board.

The key metal is copper which even with last year's depressed prices, accounted for 55 per cent of the metal production in the

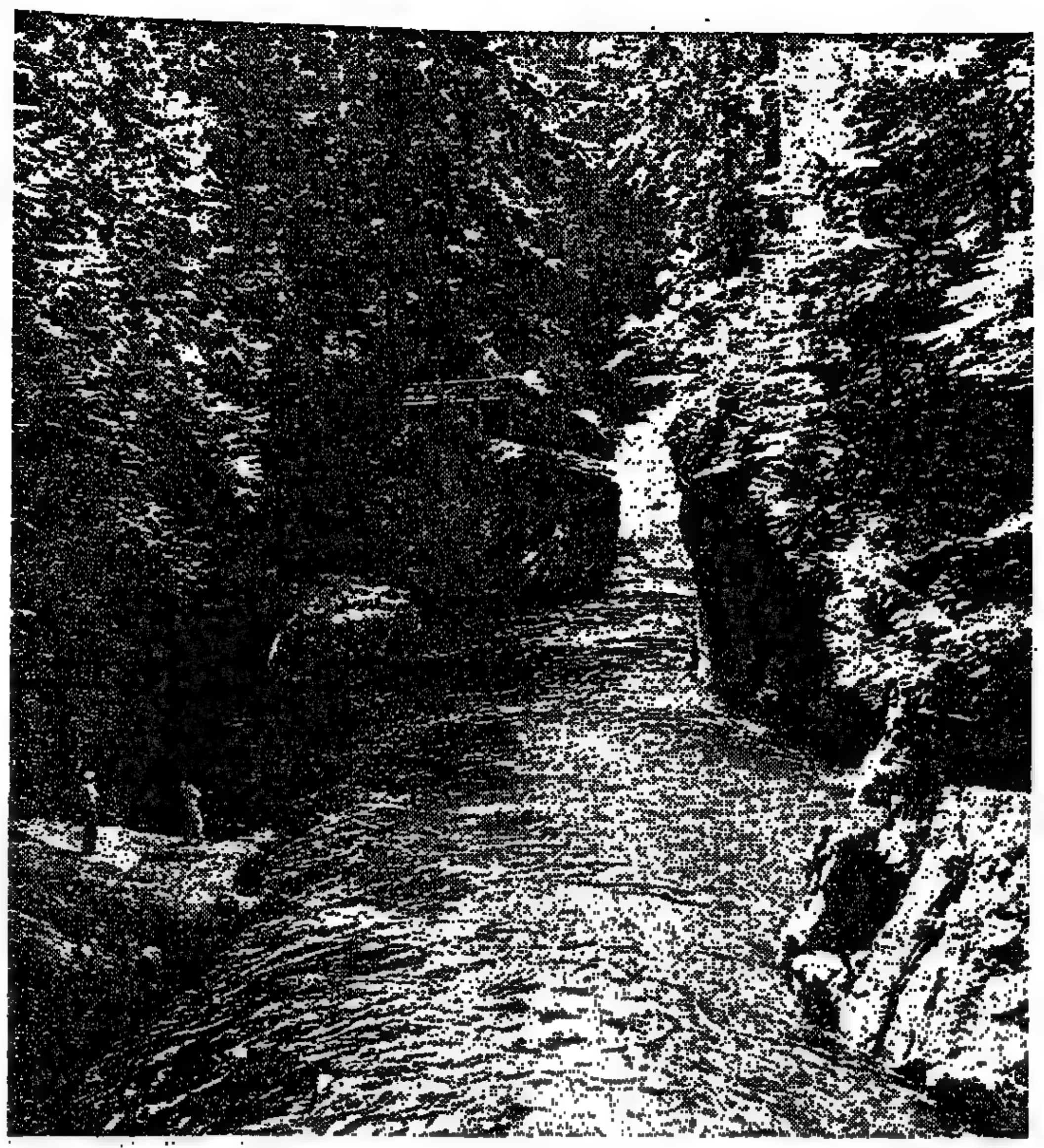
CONTINUED ON NEXT PAGE

Opportunities for tourism

BRITISH COLUMBIA is making an effort to increase its income from the tourist trade, its third largest industry, accounting for about 5 per cent of Gross Provincial Product. The moment is well chosen: the shock of the energy crisis has worn off; the Canadian dollar is down, making Canada something of a bargain for tourists from hard currency countries such as Japan and West Germany; and air fares have begun to come down.

Not only is transatlantic flying coming within the financial means of an increasing number of people. In Canada itself, too, things have begun to move. The Canadian Government, perhaps overawed by the size of the tourist deficit in its international payments, has given up its resistance to the introduction of charter flights within Canada. How important that can be becomes apparent from two figures: flying time between London and Montreal is seven hours, that between Montreal and Vancouver in British Columbia is longer than four hours. In other words, distances within Canada are huge.

The impact of these bullish influences upon tourist trade in British Columbia has been apparent this year. Tourist spending until July was 15 per cent higher than in the comparable period of 1977, according to an estimate made by the Bank of British Columbia (in spite of its name a charter bank unconnected with the provincial authorities). If one assumes that the pattern will be maintained for the rest of the year that points to tourist revenues for the whole of 1973 of C$1.5bn and a good recovery after two flattish years.



Fishing on the banks of the Capilano Canyon in North Vancouver.

Objective

In 1977 the number of visitors and tourists came to 10.8m, of whom some 2m came from the U.S. and another 265,000 from outside North America, about 50,000 British travellers being the largest contingent. Bringing in more is the objective of a fairly active public relations campaign which the Provincial Government has undertaken. "British Columbia has a smile for you," the posters proclaim: and it's "super, natural." One is grateful for the comma instead of a hyphen, and accepts that natural beauty is a main asset of a largely untouched province of forests, mountains, and fishing waters.

The publicity campaign has also fallen back upon the history of British Columbia: the 200th anniversary this year of a visit to the Vancouver region by Capt. James Cook of the Discovery has been thoroughly celebrated. A 20th century "Capt. Cook" in cocked hat and breeches has been touring North America in an early 20th century steam train to publicise the attractions of British Columbia. To complete the chronological confusion he encountered a Yankee face with topper and familiar beard at a whistle stop in the Middle West: "President Lincoln, I presume. . . ."

As things stand British Columbia has spare capacity to accommodate the extra tourists who have been coming in. Hotels in Vancouver, the main gateway into British Columbia, were only about 80 per cent booked in August, at the height of the tourist season (but admittedly not the best time for business travel, which is said to account for about 10 per cent of the business done with visitors to British Columbia).

Conventions are an important element in North American travelling patterns. Vancouver does have a good share in it, and Mrs. Grace McCarthy, the provincial minister responsible for tourism, has proposed the construction of a C$20m-C$25m convention and trade centre in Vancouver in hopes of doing even better.

The idea is to let it project into Burrard Inlet like a gigantic pier, covered over by swooping panels of glass enclosing the convention and trade centres, an hotel and other facilities. Ships could moor along either side of the pier, spilling their passengers into the attractions awaiting them. The glass cover is an excellent idea, since not least of the attractions is Vancouver's splendid situation. Nobody would describe it as a town of particularly handsome architecture: most of it is typical North American urban landscape, surprisingly uncluttered downtown and surprisingly cluttered in the suburbs. The modern high rises with a few shining exceptions range from the merely unoriginal to the distinctly ugly. But all of this is disposed around a number of fjords with access to the sea, and whichever direction you look in you are almost certain to see wooded hills beyond the waters, softening the modern metropolis.

The contrast with the wilderness within less than an hour's drive pinpoints a marketing problem for the tourist industry, not only in British Columbia but all over Canada. To the U.S. Canada can be sold as a country with a distinctly European flavour. Quebec actually talks French, although that seems to have been a bit too much for some Americans now that a government of separtist reputation has been installed in Quebec City.

The touch of Europe is less apparent to Europeans, nor does it interest them unless they have relatives in Canada. Many of course do, and have provided the main flow of tourists to Canada across the Atlantic. Visitors coming to stay with relatives tend not to be large spenders, although the same is true of the American who arrives with a camper loaded down with tinned foods and spends a few nights on a camping site.

To go beyond the market provided by Europeans visiting friends and relatives, Canada must and does make play of its wilderness and sport. Hunting and fishing licences can be obtained by visitors—though as a rule they must not shoot bears, even if they do come scavenging around the camping sites. In emergency the authorities will stun the beast and fly it a long way away by helicopter.

The quickest growing overseas contigents are the rich Germans and Japanese. As elsewhere the Japanese tend to go around in groups, and a number of Vancouver shops specialise in doing business with them. The existence of a Japanese colony helps with the language.

Germans, when they are not there to visit relatives, seem to be attracted mainly by the opportunity to see the space, the wilds and the wildlife of Canada. There are package tours from Germany, including the supply of a camper vehicle to travel throughout the province. And one hears that Germans are among the most eager practitioners of the not undangerous sport of helicopter skiing in the Rocky Mountains. Most operators apparently insist on testing your skills during two days on the slopes near the resort, and then, up you go by helicopter for several hours of downhill run across glaciers and through virgin snow.

The less energetic and skilful can get a view of the glaciers by driving there or by cruising along the Pacific coast, behind the shelter of the outlying islands, as far as Alaska and back. Weather permitting it must be a thrilling sight.

Thriving

What seems to be a thriving arts and crafts industry is largely dependent upon the tourist trade. Everywhere you go in the bigger towns you can see souvenirs and costume jewellery made of British Columbia jade, some of it well above the standards of the usual kiosk kitsch. You can also find a lot of goods made by the British Columbia Indians which look much better than the shoddy goods that usually come from the reservations in the East. The moccasins look nice, and the sweaters knitted of water-resistant wool look warm, if pricey. But what is one to make of the linguistic identity problems of the Indian Craft Shoppe in Victoria, which thinks itself the most English town in America (and maybe in the world)? The visitor from England is less likely to be impressed by that aspect of the provincial capital—but he can, if he must, admire Anne Hathaway's cottage in replica.

Close to Victoria he can find something much less phoney, but no less English—about 50 acres of gardens begun at the beginning of the century by the Butchart family. It is a colour photographer's mecca, given the bland maritime climate which, in mid-September, allowed delphiniums to be resplendently blue among a riot of dahlias.

Memories of England came even closer for the visitor when in a Victoria hotel the waitress told him firmly at 4.30 p.m.: "Teas are finished—we close at 5." But the restaurant down the road said closing time was 9 p.m.—and cheerfully took an order after that magic hour. On the whole North Americans serve the tourist with a smile provided he knows their ways. But do be prepared to carry your bags to your room and to clean your own shoes or to pay $1 or more for getting it done.

W.L.L.

Mining CONTINUED FROM PREVIOUS PAGE

province. Patrick J. Mars, vice-president of the brokerage house of Alfred Bunting and Co. Ltd. and one of the senior metals analysts in Canada, thinks that copper prices will improve by about 10 per cent over the next 12 months, assuming no import restrictions in the United States. The U.S. International Trade Commission has recently recommended to President Carter that he impose import restrictions on copper coming into the United States and while this would not directly affect the B.C. industry as much as the mining industry in eastern Canada, as the B.C. industry's main copper market is Japan, it is a vital factor affecting prices. Production of copper over the next year, worldwide, is expected to be less than consumption and this is the most important factor in the improved outlook for prices. If the U.S. import controls are imposed, the U.S. producers will be able to increase output at the expense of the rest of the world and freemarket prices will stay depressed.

The three other key metals for B.C. are zinc, lead and molybdenum. Mr. Mars thinks that price recovery has begun in zinc. "As long as producers continue to restrain their output, the recovery that recently begun could continue." In contrast, he is less optimistic about the outlook for lead. Consumption is likely to drop slightly as the use of lead in gasoline declines and the demand for lead for longlife batteries disappears, while a small increase in output is forecast. Lead prices may rise during the coming months but could weaken next summer. Molybdenum prices have soared over the last two years but Mr. Mars feels that supply and demand have come into better balance with the result that they will go up by only 8 to 10 per cent in the next year.

With somewhat improved prices this year and the assist from Afton's production, provincial metals output is expected to increase slightly from the just under $750m estimated for last year.

However, prices have not yet reached the level—in the case of copper, the bellwether price is $1 a lb—when new projects would be brought forward vigorously. Brian Carter, chief economist of the Bank of British Columbia, thinks that it will be another two or three years before another copper mine opens.

In the interim, exploration is continuing. Frederick Higgs, manager of the British Columbia and Yukon Chamber of Mines, said "there is no question the industry is returning to a higher level of exploration activity after being badly discouraged in the 1973-75 period." Even so, exploration spending is still less than it was in 1972, although the industry is rapidly reaching the level of spending of six years ago. That, however, represents a significant drop in the actual volume of exploration work as costs have risen sharply in the last six years. Mr. Higgs said that the return to a high level of activity has mostly been by major companies as the smaller companies and individual explorers take longer to get their confidence back once they have lost it.

The brightest spots in the provincial minerals picture relate to energy. Uranium is being found in the province and the major questions with respect to uranium development in British Columbia relate to the success which environmentalists might encounter in their opposition to uranium development as they have already slowed down the building of one mine.

The problems of the world economy in the past four years with the resulting slowing in the demand for coal on the part of the steel industry have taken some of the edge off the extremely optimistic forecasts of a $400m provincial coal industry. Even so, Dr. Keevil thinks the medium-term outlook is reasonably good for a coal production increase

James Rusk

OVERSEAS MARKETS

INTERNATIONAL BONDS

Straws in an ill wind

BY NICHOLAS COLCHESTER AND FRANCIS GHILES

TIDINGS OF vague comfort to the dollar bond market were conveyed back to Europe by bankers returning from the IMF and World Bank joint annual meeting in Washington. The dollar might have been too deeply ditched. The U.S. trade balance appeared to be slowly on the mend. President Carter seemed to be acting with more authority after Camp David. These were some of the impressions. The dollar behaved consistently and had a firmer week in the currency markets. This firmness was underlined on Friday when the prospect of imminent action by the Swiss central bank (confirmed in yesterday's announcement) caused the Swiss franc to drop sharply.

But these straws were still insufficient for the dollar sector. Short-term interest rates in the U.S. continued to climb. The Federal Funds rate started the week at 8¼ per cent and it was clear by Friday night that the Fed was happy to see them at 8¾ per cent. The only good news was that President Carter said on Thursday that interest rates were "too high" and that he would "hate to see them go any further."

The dollar sector had a depressing week and traders said that Friday was one of the quietest sessions for a long time. Prices fell over the five days by between ¼ and ¾ of a point. But despite the corrections of the past fortnight, the yield on long dollar bonds was still only 9.5 per cent at the week's end compared with a six-month Eurodollar rate of 10 per cent.

While the attraction of holding bonds remains slim, the market is supported by the fact that the advantages of issuing them are equally slim. It is probably a better bet to borrow for the moment with a syndicated loan, benefiting from the low spreads, and on the assumption that fixed rate refinancing will be feasible when interest rates are lower.

There were no new dollar bonds announced last week. S. G. Warburg scheduled a $30m floating rate note for the Bank of Tokyo and the news in the market was that this was not going down very well because of its long maturity and its slim interest rate margin over interbank rates.

The reasons for the lacklustre performance of the first French Franc denominated bond in two and a-half years, for EIB, were not difficult to understand. Two sets of factors led to the fall in the price of this bond in the secondary market (last Friday, the second day of trading, the bonds were being quoted at 97-98, an improvement on the previous day's quotation).

One set of factors was fortuitous, but confirmed the opinion of those Paris bankers who had argued that this sector of the market should have been reopened earlier in the year. In the period following the announcement of the EIB issue, the Franc was weaker and Eurofranc interest rates climbed. At the same time interest rates on six-month Eurofrancs moved up again last week from 9¾ per cent to 11½ per cent. The pressure on French franc rates was further illustrated by the doubling, to 30 per cent, of the rates on two-day deposits.

The second set of factors concern the issue itself. The EIB is known to be a borrower which insists on tight terms. Was it therefore wise, bankers asked, to choose such a borrower to reopen the market? The same bankers added that it might have been wiser to test the market with a shorter maturity paper, rather than a ten-year bond.

Another point may have influenced investors: the terms of an EIB DM-denominated bond were finalised just over two weeks ago, those of an EIB Yankee were completed last week. A third, French franc, bond on top of that was maybe more than investors could take.

The Deutsche Mark sector witnessed some lively trading last week, with turnover described by dealers as better than the week before. Prices were up by a quarter to three quarters of a point while demand for some new issues was very strong: the Jusco convertible was the great favourite and was quoted last Friday at 101¾-102¼. Demand also seemed to be good for the ISCOR private placement, and the indicated price was given as 100½ by the lead manager on Friday night. It is due to be priced today.

Among new issues announced last week was a DM30m convertible for Maruetsu and a DM50m private placement for Estel. A further Japanese convertible, for Marudai Food, is expected through Deutsche Bank early this week.

The Indonesia DM bond was priced at 99½ last Friday and was quoted in first-time trading by the lead manager at 98 bid, 98½ offer. This price confirms the relative lack of appeal of the borrower which is new in this market. The final terms of the Venezuela bond are expected today.

* * *

A renaissance of Bondtrade, the Brussels-based dollar bond trading house owned by a consortium of banks, appears to be taking place. Bondtrade is to move its trading operation to London (leaving the back-office in Brussels) and will be headed by Mr. Robert Smith, until recently the managing director of Kidder Peabody Securities.

Bondtrade has been feeling increasingly cut off in Brussels, both because a leased line to London costs £1,600 a month, and Bondtrade needs 10-20 of them, and because it found difficulty attracting people of the right skills and calibre to Belgium. At the end of last year four of Bondtrade's shareholders—Kuhn Loeb, Bruxelles Lambert, Commerzbank and Rothschild—pulled out, in some cases because they wanted to trade dollar bonds themselves.

BONDTRADE INDEX AND YIELD

	September 29		September 22		1978 High	1978 Low
Medium term	98.42	8.22	98.62	8.14	99.84 (19/4)	98.48 (25/9)
Long term	92.47	8.83	92.73	8.78	94.07 (13/4)	92.45 (29/9)

EUROBOND TURNOVER
(nominal value in $m)

	U.S. dollar bonds last week	previous week	Other bonds last week	previous week
Euroclear	1,142.3	908.5	282.4	260.6
Cedel	426.7	377.1	188.5	168.7

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life Years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡††EIB	100	1986	8	8⅞	99.30	Kuhn, Loeb, Lehman Bros.	9.20
‡††EIB	125	1998	15.05	9¼	99	Kuhn, Loeb, Lehman Bros.	9.45
‡†Arab Malaysian Dev. Bk.	20	1983	5	7½‖	100	ADIC	7.64‖
§Novo Industri	20	1989	—	7	100	Morgan Grenfell	*
†Bank of Tokyo	30	1993	15	5¼‖	100	S. G. Warburg	5.58‖
††Canada	400	1983	5	*	*	Morgan Stanley	*
††Canada	350	1998	20	*	*	Morgan Stanley	*
D-MARKS							
‡**Toyo Rubber (g'teed Long Term Cr. Bk.)	30	1983	5	5½	99½	Commerzbank	5.62
‡Indonesia	100	1984	6	7	99½	Dresdner Bank	7.11
‡§Jusco	80	1986	—	3¼	100	WestLB	3.5
§Nissain Diesel Motor	80	1986	—	3½	100	Deutsche Bank	3.54
**ISCOR (g'teed S. Africa)	40	1984	6	8½	100½	Bay. Vereinsbank	8.20
§Kayaba	30	1985	—	3¼	100	WestLB	*
**Estel NV	50	1985	7	6¼	100	Deutsche Bank	6.25
§**Maruetsu	30	1985	—	3¼	100	BHF-Bank	*
Venezuela	150	1980	9½	6½	*	WestLB	*
SWISS FRANCS							
‡Oberoesterreichische Kraft.	50	1993	n.a.	4	100¼	Crédit Suisse	3.933
‡Norges Kommunalbank (g'teed Norway)	100	1988	n.a.	4	100¼	Banque Gutzwiller, Kurz, Bungener	3.955
‡Sandvik	85	1990	n.a.	4	100¼	Crédit Suisse	3.955
FRENCH FRANCS							
‡EIB	200	1988	¶	9¾	99½	CCF	9.83
KUWAITI DINARS							
‡Dev. Bk. of Philippines (g'teed Philippines)	7	1985/90	—	8½	99½	KIIC, ADIC, Merrill Lynch Int.	8.55
Electrobras (g'teed Brazil)	10	1985/90	—	8½	*	KIIC	*
UNITS OF ACCOUNT							
Swedish Mun. Fin. Co.	15	1993	9¾	7½	*	Kredietbank Lux.	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ‖ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. Note: Yields are calculated on AIBD basis.

Indices

NEW YORK—DOW JONES

	Sept. 29	Sept. 28	Sept. 27	Sept. 26	Sept. 25	Sept. 22	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	865.82	861.51	860.19	868.16	862.85	862.44	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.84	88.82	88.93	88.84	88.90	88.06	90.86 (4/1)	86.76 (11/7)	—	—
Transport	244.11	242.84	242.63	240.42	242.55	241.88	261.49 (8/9)	198.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	106.12	106.12	106.25	106.09	105.79	105.72	110.38 (3/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's†	25,510	24,550	28,570	28,530	20,870	27,880	—	—	—	—

* Basis of index changed from August 24

Ind. div. yield %	Sept. 22	Sept. 15	Sept. 8	(Year ago approx)
	5.50	5.59	5.21	5.57

STANDARD AND POORS

	Sept. 29	Sept. 28	Sept. 27	Sept. 26	Sept. 25	Sept. 22	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	113.72	112.98	112.62	113.75	112.88	112.81	118.71 (12/9)	95.52 (6/3)	134.54 (11/1/73)	3.52 (30/6/32)
§Composite	102.54	101.88	101.66	102.62	101.86	101.84	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/63)	4.40 (1/6/32)

	Sept. 27	Sept. 20	Sept. 13	Year ago (approx.)
Ind div. yield %	4.66	4.65	4.62	4.95
Ind. P/E Ratio	9.43	9.45	9.85	9.43
Long Gov. Bond yield	8.66	8.47	8.53	7.64

N.Y.S.E. ALL COMMON

Sept. 29	Sept. 28	Sept. 27	Sept. 26	1978 High	1978 Low
57.78	57.47	57.51	57.81	60.38 (11/9)	48.37 (6/3)

Rises and Falls

	Sept. 29	Sept. 28	Sept. 27
Issues traded	1,875	1,856	1,881
Rises	927	692	500
Falls	506	735	983
Unchanged	442	429	396
New Highs	—	—	—
New Lows	—	—	—

MONTREAL

	Sept. 29	Sept. 28	Sept. 27	Sept. 26	1978 High	1978 Low
Industrial	218.37	219.18	—	208.90	218.37 (29/9)	162.50 (16/2)
Combined	218.52	217.81	—	216.59	218.62 (29/9)	170.82 (30/1)
TORONTO Composite	1284.7	1277.5	1272.0	1270.5	1288.9 (15/9)	998.2 (30/1)
JOHANNESBURG Gold	[illegible]	254.7	[illegible]	[illegible]	[illegible]	186.0 (30/4)
JOHANNESBURG Industrial	264.5	265.8	[illegible]	268.6	271.1 (15/9)	194.4 (15/3)

	Sept. 29	Previous	1978 High	1978 Low
Australia(*)	560.71	563.32	566.79 (22/9)	441.19 (1/3)
Belgium (‖)	99.69	99.61	101.16 (6/5)	90.43 (25/5)
Denmark(**)	94.85	95.07	97.95 (14/6)	94.00 (6/3)
France (††)	82.6	81.7	82.6 (29/9)	47.6 (3/2)
Germany(‡‡)	848.4	845.5	848.4 (29/9)	[illegible] (17/6)
Holland (§§)	87.3	87.1	94.1 (11/8)	76.0 (4/4)
Hong Kong(¶¶)	633.14	645.27	707.70 (4/9)	384.44 (13.1)
Italy (‖‖)	78.90	79.08	82.62 (25/9)	[illegible]
Japan (a)	433.74	432.65	433.74 (29/9)	364.04 (4/10)
Singapore(b)	361.59	365.87	414.50 (6/9)	282.0 (9/1)

	Sept. 29	Previous	1978 High	1978 Low
Spain (d)	98.59	98.30	110.76 (8/6)	87.82 (1/3)
Sweden (e)	395.08	398.01	405.08 (4/9)	325.74 (5/1)
Switzerl'd(f)	274.5	268.1	306.7 (11/2)	261.6 (26/9)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300—1,000, the last named based on 1975) † Excluding bonds. ‡ 400 Industrials § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73 †† Paris Bourse 1961 ‡‡ Commerzbank Dec., 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

GERMANY ♦

Sept. 29	Price Dm.	+ or —	Div. %	Yld. %
AEG	87.5	+0.2	—	—
Allianz Versich	520	—9	31.2	3.0
BMW	229.5	+0.5	28.12	6.1
BASF	141.4	—0.1	18.76	6.6
Bayer	143.8	+0.5	18.75	6.5
Bayer-Hypo	296	+1.5	28.12	4.8
Bayer-Vereinsbk	339.5	—0.5	18	2.7

[illegible]

JOHANNESBURG
MINES

Sept. 29	Rand	+ or —
Anglo American Corpn.	6.45	+0.05
Charter Consolidated	†2.85	—0.12
East Driefontein	†13.75	—0.15
Elsburg	1.96	—0.05
Harmony	7.20	+0.15
Kinross	13.70	+0.20
Kloof	10.80	+0.10
Rustenburg Platinum	1.68	+0.01
St. Helena	14.90	+0.10
Southvaal	10.70	+0.10

[illegible]

INDUSTRIALS

[illegible]

Securities Rand $U.S.0.73½ (Discount of 35.87%)

AUSTRALIA

Sept. 29	Aust. $	+ or —
ACMIL (25 cents)	†0.77	+0.01
Acrow Australia	†0.92	
AMATIL $1	†2.25	
Ampol Exploration	†1.25	—0.15
Ampol Petroleum	†0.58	
Assoc. Minerals	†1.70	
Assoc. Pulp Paper $1	†1.74	+0.06
Assoc. Con. Industries	†1.85	—0.02

[illegible]

PARIS

Sept. 29	Price Frs.	+ or —	Div. Frs.	Yld. %
Rente 4½	727.8	—1.9	4½	0.6
Afrique Occid't'e.	445	+18	21.15	4.8
Air Liquide	378	+7	16.5	4.4
Aquitaine	561	+5	28.25	4.7
BIC	620	—6	16.95	2.7
Bouygues	810	—22	42	5.2
B.S.N. Gervais	595	—10	40.5	6.8
Carrefour	2,020	+31	75	3.7

[illegible]

VIENNA

[illegible]

BRAZIL

[illegible]

Turnover Cr$6.4m. Volume 2.2m. Source: Rio de Janeiro SE.

OSLO

[illegible]

SPAIN ▼

[illegible]

HONG KONG

[illegible]

NEW YORK

1978 High	1978 Low	Stock	Sept. 29
39	25	Abbott Labs	34⅞
32	13⅞	Addressograph	27½
45⅛	31⅛	Aetna Life & Cas	40⅞

[illegible]

1978 High	1978 Low	Stock	Sept. 29
64⅛	46⅛	Corning Glass	58⅛
54⅛	42¼	CPC Int'rn'tional	49¼
36⅛	24¾	Crane	33¼
30	21⅛	Crocker Nat	28
37⅞	29⅝	Crown Zellerbach	34⅛
48¼	33⅛	Cummins Engine	37¼

[illegible]

1978 High	1978 Low	Stock	Sept. 29
34⅛	[illegible]	Johns Manville	31¾
66⅛	66	Johnson Johnson	85⅛
33½	24¾	Johnson Control	27
30⅛	29¾	Joy Manufactur'g	35⅛
29⅛	23⅛	K. Mart Corp.	27⅞
36⅛	28	KaiserAlumini'm	36⅛
5	1¾	Kaiser Industries	3⅛
30⅛	21¼	Kaiser Steel	26⅛

[illegible]

1978 High	1978 Low	Stock	Sept. 29
66⅛	38	Revlon	62¼
35⅞	25⅛	Reynolds Metals	35⅛
64	52¼	Reynolds R. J.	62⅞
30⅛	20	Rich'son Merrell	28⅛
36⅛	25⅞	Rockwell Inter	36⅛
37⅛	28½	Rohm & Haas	35¼
56¼	54½	Royal Dutch	63⅛

[illegible]

CANADA

[illegible]

† Bid. ‡ Asked. § Traded. ¶ New Stock.

AMSTERDAM

[illegible]

TOKYO ¶

[illegible]

Source Nikko Securities, Tokyo

COPENHAGEN ♣

[illegible]

SWITZERLAND ●

[illegible]

STOCKHOLM

[illegible]

MILAN

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax. [illegible]

AUTHORISED UNIT TRUSTS

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund.
37, rue Notre Dame, Luxembourg.

Alexander Fund	$US7.25		.....	—

Net asset value September 27.

Allen Harvey & Ross Inv. Mgt. (C.I.)
1, Charing Cross, St. Helier, Jsy. C.I. 0534-73741

AHR Gilt Edg. Fd.	£10.02	10.03	.....	12.08

Arbuthnot Securities (C.I.) Limited
P.O. Box 284, St. Helier, Jersey 0534 72177

Cap. Tst. (Jersey)	118.0	122.0	.....	4.10

Next dealing date October 10.

Gov't Secs. Tst.	100	102	.....	12.00

Next dealing date October 2.

East & Intl. Tst. (C.I.)	115	122	.....	3.07

Next dealing date October 12.

Australian Selection Fund NV
Market Opportunities, c/o Irish Young & Outhwaite, 127, Kent St., Sydney.

US$1 Shares	$US1.64		.....	—

Net asset value September 8.

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.

Wldinvest Income	$US124.89	124.83	+0.10	7.42

Prices at Sept. 28. Next sub. date Oct. 4.

Banque Bruxelles Lambert
2, Rue De la Regence B 1000 Brussels

Renta Fund LF	1,930	1,990	+5	7.70

Barclays Unicorn Int. (Ch. Is.) Ltd.
1, Charing Cross, St. Helier, Jrsy. 0534 73741

Overseas Income	47.0	49.5	−0.4	12.10
Unidollar Trust	$US11.79	12.39	.....	3.50
Unibond Trust	$US101.95	102.70		8.00

*Subject to fee and withholding taxes

Barclays Unicorn Int. (I. O. Man) Ltd.
1 Thomas St., Douglas, I.o.M. 0624 4856

Unicorn Aust. Ext.	57.4	61.7	.....	1.50
Do. Aust. Min.	38.8	41.8	.....	1.40
Do. Grtr. Pacific	70.6	76.0	.....	—
Do. Intl. Income	39.4	42.4	.....	8.40
Do. I. of Man Tst.	45.8	49.3	−1.1	8.90
Do. Manx Mutual	26.5	28.6	.....	1.40

Bishopsgate Commodity Ser. Ltd.
P.O. Box 42, Douglas, I.o.M. 0624-23911

ARMAC **Sept. 4	$US27.76	29.52	.....	—
CANRHO **Sept. 4	£1.065	1.130	.....	—
COUNT **Sept. 4	£2.402	2.547	.....	2.25

Originally issued at *$10 and **£1.00.

Keyselex Mngt., Jersey Ltd.
PO Box 98, St. Helier, Jersey. (Eng. 01-606 7070)

Fonselex	Frs1,289	1,425	.....	2.8
Bondselex	Fr114.15	119.16	.....	—
Keyselex Japan	£14.62	—	.....	—
Cent. Assets Cap.		£137.02	−0.03	—

King & Shaxson Mgrs.
1 Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Grnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856

Gilt Fund (Jersey)	£9.14	9.16	.....	12.00
Gilt Trust (I.o.M.)	103.6	106.2	.....	12.00
Gilt Fnd. Guernsey	£9.21	9.23	.....	12.00
Intl. Govt. Secs. Tst.				
First Sterling	£17.93	18.03	.....	—
First Intl.	$US180.67	180.68	.....	—

Kleinwort Benson Limited
20, Fenchurch St., EC3 01-623 8000

Eurinvest Lux. F	1,169		−7	2.99
Guernsey Inc.	69.0	73.4	.....	4.18
Do. Accum.	85.1	90.6	.....	4.18
KB Far East Fd.	$US14.32		.....	1.39
KB Intl. Fund	$US12.42		.....	1.85
KB Japan Fund	$US40.61		.....	0.62
K.B. U.S. Gwth. Fd.	$US13.15		.....	0.68
Signet Bermuda	$US5.19		.....	1.75
*Unifonds (DM)	19.95	21.0	.....	6.10

*KB act as London paying agents only.

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey 0534 27561

Lloyds Tst. O'seas	63.1	66.4	.....	0.67

Next dealing date October 16.

Lloyds Bank Intl. Geneva.
1, Place Bel Air P.O. Box 438 1211 Geneve 11.

Lloyds Int. Growth	SF308.0	321.0	.....	1.70
Lloyds Int. Income	SF287	298.0	.....	6.70

M & G Group
Three Quays, Tower Hill EC3R 6BQ. 01-626 4588

Atlantic Sept. 26	$US3.15	3.45	.....	—
Aust. Ex. Sept. 27	$US2.57	3.81	.....	—
Gld. Ex. Acc. Sept. 27	$US11.18	12.40	.....	—
Island	134.6	144.8	−1.5	13.22
(Accum Units)	195.9	208.6	−1.9	13.22

Samuel Montagu Ldn. Agts.
114, Old Broad St., E.C.2. 01-588 6464

Apollo Fd. Sept. 27	SF40.80	44.30	−3.85	3.80
Japfest Sept. 15	HK$11.44	16.47	.....	0.88
117 Grp. Sept. 20	$US11.24	12.28	.....	1.96
117 Jersey Sept. 20	£5.69	6.19	.....	0.68

International Pacific Inv. Mngt. Ltd.
PO Box R237, 56, Pitt St., Sydney, Aust.

Javelin Equity Tst.	$A2.40	2.52	−0.01	—

J.E.T. Managers (Jersey) Ltd.
PO Box 194, Royal Tst. Hse., Jersey 0534 27441

Jersey Extral. Tst.	197.0	209.0	.....	—

As at August 31. Next sub. day Sept. 29.

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$375.52		.....	1.90
Jardine J'pn. Fd.*	HK$401.98		.....	0.80
Jardine S.E.A.	$US20.46		.....	1.70
Jardine Flem. Int.	HK$12.42		.....	—
Intl. Pac. Secs. (Inc.)	HK$14.91		.....	—
Do. Accum.	HK$15.06		.....	—

NAV Sept. 14. *Equivalent $US84.63. Next sub. Oct. 6.

S. G. Warburg & Co. Ltd.
30 Gresham Street, EC2. 01-600 4555

Conv. Bd. Sept. 28	$US9.66		−0.03	—
Eng. Int. Sept. 28	$US18.74		−0.06	—
Gr. St. $Fd. Aug. 31	$US7.58		.....	—
Merc. Ebd. Sept. 27	$US10.31	10.49	.....	0.2886

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. Aug. 31	$US13.13	13.46	.....	—
CMT Ltd. Aug. 31	£13.82	14.18	.....	—
Metals Tst. Sept. 21	£12.38	12.68	.....	—
TMT Sept. 14	$US11.40	11.70	.....	—
TMT Ltd. Sept. 14	£11.39	11.69	.....	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth. Fd.	$US16.60		−0.04	—

Equity & Law Un. Tr. M.♥ (a)(b)(c)(z)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	68.6	72.2	−0.1	4.19

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

Finlay Internat'l.	25.2	27.2	.....	2.19
Accum. Units	29.5	32.0	.....	2.19
Finlay Income	35.2	37.9	.....	7.95
Finlay Euro. Fin.	27.8	30.0	.....	3.69
Accum. Units	32.3	35.0	.....	3.69
Finlay Fd. In. Tst.	30.2	32.4	.....	3.92
Accum. Units	34.3	37.3	.....	3.92

Prices Sept. 27. Next dealing October 4.

CORAL INDEX: Close 500-505

INSURANCE BASE RATES

†Property Growth	10¼%
†Vanbrugh Guaranteed	9.37%

†Address shown under Insurance and Property Bond Table.

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by ϕ. § Guernsey gross. ϕ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

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MINES—Continued

CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Nov. May	Falcon Rh.50c	170xd	18.9	Q60c	ϕ	21.4
May	Rhod'n Corp. 16½p.	16	17.4	0.57	7.1	5.3
—	Roan Cons. K4	65	1274	—	—	—
Nov. May	Wankie Col. Rh.1	33	17.4	†Q7½c	1.4	19.4
—	Zam.Cpr SBD0.24	14	1174	—	—	—

AUSTRALIAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Acmex 25c	11	—	—	—	—
Nov. Apr.	Bougainville 50Toea	130	14.3	†Q8c	1.4	3.9
—	BH South 50c	119	974	—	—	—
—	Central Pacific	520	—	—	—	—
Oct. May	Conzinc Riotinto 50c	314	14.3	‡Q10c	2.2	‡
—	Endeavour 20c	26	—	—	—	—
—	G.M. Kalgoorlie $1	59	6'67	—	—	—
—	Haoma Gold N.L.	56	—	—	—	—
September	Hamptn Areas 5p	128	10.7	t3.55	2.8	4.1
—	Metals Ex. 50c	38	—	—	—	—
Dec. Apr.	M.I.M. Hldgs. 50c	195	13.2	Q9c	1.7	2.8
—	Mount Lyell 25c	30	—	—	—	—
—	Newmetal 10c	6½	—	—	—	—
June Nov	North B. Hill50c	117	15.5	Q8c	ϕ	4.3
—	Nth. Kalgurli	15	—	—	—	—
—	Nth. West Mining	39	—	—	—	—
June Nov.	Oakbridge $A1	155	7.4	†Q11c	1.9	4.4
—	Pacific Copper	58	—	—	—	—
—	Pancont'l 25c	£10¼	—	—	—	—
—	Paringa M&Ex 5p	31½	—	—	—	—
Apr. Oct.	Peko-Wallsend 50c.	500	19.9	Q15c	ϕ	1.9
—	Southern Pacific	190	—	—	—	—
Oct. May	Westn. Mining 50c	152	4.9	Q3c	ϕ	‡
—	Whim Creek 20c	50	—	—	—	—

TINS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Nov. Apr.	Amal. Nigeria	23xd	18.9	2.61	1.3	18.2
Apr. Oct.	Ayer Hitam $M1	345	13.3	Q300c	ϕ	19.9
Apr. Oct.	Beralt Tin	48	8.8	t4.0	4.4	13.1
Jan. July	Berjuntai $M1	245	24.7	Q110c	ϕ	9.6
Feb. Oct.	Geevor	145	7.8	5.04	5.8	5.2
—	Gold & Base 12½p	10	1074	—	—	—
June Dec.	Gopeng Cons.	325	17.4	15.23	0.9	7.1
—	Hongkong	230	11'67	—	—	—
May Nov.	Idris 10p	90	24.7	‡12.0	1.6	‡
—	Jantar 12½p	8	4'67	—	—	—
—	Kamunting $M0.50	75	4.9	Q12½c	2.1	3.6
Jan. July	Killinghall	635	10.7	Q125	ϕ	19.7
April	Malay Dredging $M1	435	13.3	†Q95c	0.8	4.7
—	ΔPahang	64	9.75	‡Q3.75c	0.5	‡
Mar. Sept.	Pengkalen 10p	74	12.6	6.60	1.3	13.3
June. Jan.	Petaling $M1	245	12.6	†Q80c	1.6	7.5
Mar. Oct.	Saint Piran	57	4.9	2.03	ϕ	5.3
February	South Crofty 10p	56	18.7	4.19	2.0	11.2
Jan. July	South Kinta $M0.50	215	4.9	sQ145c	0.6	14.5
June Jan.	Sthn Malayan $M1	310	3.4	tQ131.3c	1.1	9.1
—	Sungei Besi $M1	195	26.6	Q65c	ϕ	7.2
—	Supreme Corp. $M1	70	974	ZQ10c	—	3.1
May Nov.	Tanjong 15p.	90	24.7	6.60	0.8	10.9
Sept. Mar.	Tongkah Hrbr. $M1	90	12.12	‡Q56.82%	1.6	‡
Apr. Oct.	Tronoh $M1	225	13.3	‡Q88c	1.6	‡

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
June Dec.	Messina R0.50	70	12.12	‡Q30c	1.9	‡

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Barymin	58	—	—	—	—
—	Burma Mines 17½p.	13	575	—	—	—
Aug. Feb.	Cons. Murch. 10c	245	3.1	‡Q30c	2.6	‡
November	Northgate C$1	365	30.9	—	—	—
Jan. June	R.T.Z.	242	2.5	9.5	2.8	5.9
—	Sabina Inds. C$1	54	—	—	—	—
—	Tara Exptn. $1	812	—	—	—	—
Nov. July	Tehidy Minerals 10p	69	2.5	‡1.35	ϕ	2.9
October	Yukon Cons. C$1	144	15.9	Q7c	2.9	2.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ■ "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- § Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ¢ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 29

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	25	......	Sheff. Refrshmt.	63	......
Ash Spinning	49	......	Sindall (Wm.)	105	......
Bertam	19	−1			
Bdg'wtr. Est. 50p	327	......			
Clover Croft	26	......	**IRISH**		
Craig & Rose £1	520	......			
Dyson (R. A.) A.	37	......	Conv. 9% '80/82.	£91¼	+¼
Ellis & McHdy.	67	......	Alliance Gas	73	+3
Evered	27½xd	+½	Arnott	385	......
Fife Forge	52	......	Carroll (P.J.)	100	−3
Finlay Pkg. 5p	21	......	Clondalkin	90	......
Graig Ship. £1	130	......	Concrete Prods.	132	......
Higsons Brew.	80	......	Heiton (Hldgs.)	50	......
I.O.M. Stm. £1	155	......	Ins. Corp.	180	......
Holt (Jos.) 25p	258	......	Irish Ropes	115	−15
N'thn Goldsmith	68	......	Jacob	60	......
Pearce (C. H.)	190	......	Sunbeam	32	+1
Peel Mills	20	......	T.M.G.	182	−3
Sheffield Brick	48	+3	Unidare	85xr	......

OPTIONS.
3-month Call Rates

Industrials		I.C.I.	20	Tube Invest.	30
A. Brew	6½	"Imps"	6	Unilever	35
A.P. Cement	18	I.C.L.	20	Utd. Drapery	7½
B.S.R.	9	Inveresk	8	Vickers	15
Babcock	11	KCA	3	Woolworths	5
Barclays Bank	25	Ladbroke	17		
Beecham	35	Legal & Gen.	14	**Property**	
Boots Drug	15	Lex Service	7	Brit. Land	3¾
Bowaters	16	Lloyds Bank	22	Cap. Counties	4½
B.A.T.	24	"Lots"	4	E.P.	5
British Oxygen	6	London Brick	5	Intereuropean	4
Brown (J.)	20	Lonrho	5	Land Secs.	16
Burton 'A'	12	Lucas Inds.	25	MEPC	12
Cadburys	5	Lyons (J.)	10	Peachey	8
Courtaulds	10	"Mams"	7	Samuel Props.	9
Debenhams	8	Mrks & Spncr	10	Town & City	1¼
Distillers	25	Midland Bank	25		
Dunlop	7	N.E.I.	12	**Oils**	
Eagle Star	11	Nat. West Bank	22	Brit. Petroleum	45
E.M.I.	14	Do. Warrants	10	Burmah Oil	5
Gen. Accident	17	P & O Dfd	8	Charterhall	3
Gen. Electric	18	Plessey	8	Shell	28
Glaxo	40	R.H.M.	5	Ultramar	20
Grand Met.	9	Rank Org. 'A'	18		
G.U.S. 'A'	20	Reed Intnl.	12	**Mines**	
Guardian	28	Spillers	3		
G.K.N.	22	Tesco	4	Charter Cons.	12
Hawker Sidd.	20	Thorn	22	Cons. Gold	14
House of Fraser	12	Trust Houses	15	Rio T. Zinc	16

FINANCIAL TIMES

Monday October 2 1978

Consumer spending boosts order books

FINANCIAL TIMES REPORTER

STRONG EVIDENCE that the recent increases in consumer spending are having a direct impact on the level of manufacturing industry's order books is shown by two surveys of industrial opinion published today. The Confederation of British Industry's monthly industrial trends inquiry also reports a sharp increase in overseas orders. However reports by the confederation's regional office indicate that growth is generally still slow, and that competitiveness in export marekts is coming under pressure.

The Financial Times monthly survey of business opinion also shows that the higher consumer spending is working its way through. Indicators for orders and deliveries have both risen, as have stock and production forecasts for the next 12 months.

Overall, the CBI survey, of nearly 2,200 companies between September 1 and 20, is the most optimistic for many months.

The balance of companies reporting above- and below-normal order books is markedly better than for at least a year, though 30 per cent of the companies still say that their orders are below normal.

A month ago companies reported that their export order books were deteriorating, but they now appear to have improved quite sharply.

This improvement is in line with the Department of Industry's latest survey of the largest exporters.

The FT survey reports a continuing favourable outlook for export sales.

The recovery in total order books found by the confederation is spread evenly through all sizes of companies, but is particularly noticeable for producers of consumer goods. Businesses in intermediate goods industries, and particularly metal manufacture, continue to report weak total order books.

Sharp revival

Stating that the revival in consumer demand is proceeding "quite sharply," the CBI adds that there are "tentative" signs that this "has not sucked in imports quite as quickly as some might have feared."

Companies' expectations for volume of output in the next four months have risen for the third successive month and are quite strong, especially by producers of consumer goods.

Stocks of finished goods are still high, indicating that there will be only slow stockbuilding, and maybe some actual de-stocking, in the near future.

The confederation's survey supports the view of the Price Commission that price rises may not be so high as some people have feared. The survey shows no increase in the coming months in company plans for raising average domestic prices.

The FT survey suggests that the growing pace of recovery is unlikely to have immediate impact on unemployment. Most companies expect to make do with about the same size labour force in 12 months as now.

This is mostly because industry is giving increased priority to plans for higher productivity.

In some sectors complaints about shortages of skilled factory staff have become widespread, a point supported by the confederation's regional reports.

Three out of five companies interviewed for the FT survey said they intended to adhere to the Government pay guidelines. They included firms contemplating productivity deals.

Of the remainder, which said their attitude would depend on other factors—market forces, trend of other settlements, strength of Government sanctions—most were in the stores and consumer services sector.

Inflation expectations continue to improve. The median forecast increase for wage costs has levelled out at about 11-12 per cent, but those for total unit costs and output prices have fallen to about 9 per cent.

Another encouraging sign is the continuing favourable outlook for industrial investment.

The improved trend of profit and earnings forecasts was checked last month, mostly because of a more pessimistic outlook in stores and consumer services.

FT surveys—Page 7

Arab bank takes 10% stake in Montedison

BY PAUL BETTS

ROME, October 1.

THE PARIS-BASED Banque Arabe et Internationale d'Investissement is to take a 10 per cent equity stake in Montedison, the financially troubled Milan-based chemicals conglomerate.

The venture represents the second major Arab investment in Italy since the celebrated deal which saw the Libyan Arab Foreign Bank become the second largest single shareholder in the Fiat car group.

Montedison, Italy's largest chemical group, employing some 150,000 people and crippled by accumulated debts and losses, disclosed details of the deal after a board meeting in Milan this weekend.

The Arab bank, acting for Saudi Arabian private financial interests, is to subscribe initially some L35.5bn (£24m), in Montedison's forthcoming rights issue, to increase the company's capital from L152bn to L355bn.

The bank will be represented on both the Montedison Board and on the company's controlling shareholding syndicate.

Montedison has agreed to give the Arab group, which is expected to take a 10 per cent quota of a subsequent L175bn Montedison bond issue, the option to buy a 20 per cent stake in the chemical conglomerate's profitable financial holding company, Fingest.

Another major aspect of the deal involves the setting up of a new trading company, jointly controlled by Montedison and the Arab interests, to promote commercial operations in the field of raw materials, especially oil.

However, Montedison, whose annual oil requirements are currently estimated at between 5m and 6m tons of crude, stressed that the new trading company would not have exclusive control of the Italian company's oil supplies.

This is generally regarded as a pre-condition imposed by the Italian state hydrocarbons group, Ente Nazionale Idrocarburi, Montedison's largest public shareholder, whose oil subsidiary AGIP supplies the bulk of the chemical conglomerate's requirements of crude.

Sig. Antonio Bisaglia, Italy's Minister of State Holdings, has already given his approval to the deal, satisfied that it would not alter the present mixed state-private character of the conglomerate, and that neither Italian nor foreign interests in direct competition with Montedison are involved.

Much needed

The deal clearly represents a godsend of sorts for the ailing chemical group, giving it both an urgent injection of credit and some much-needed credibility at a time when Montedison is attempting to launch a long-overdue reconstruction programme.

Since news of an imminent deal was leaked here about a month ago, with widespread speculation at first that it might involve a Kuwaiti group, Montedison shares have made something of a comeback on the Milan bourse.

Montedison disclosed this weekend that the group's consolidated turnover during the first half of this year, L2,850bn, represented a 7.8 per cent increase, against an Italian inflation rate currently running at about 12.5 per cent over the same period last year.

The parent company Montedison SPA, made half-year sales almost unchanged at the depressed level of L1,545bn.

The company is hoping that its exploration activities in the Sicilian channel south of Marina di Ragusa will confirm recent preliminary drilling suggesting a high-quality oil find.

THE LEX COLUMN

Insider laws in practice

The treatment of insider dealers is again becoming a lively issue in the City. The White Paper on "Changes in Company Law"—which includes proposals to make insider trading a criminal offence—seemed doomed for oblivion when it was published this summer. Now, it seems, there is at least a chance that the proposals could be introduced in the coming parliamentary session.

At the same time, the chairman of the Stock Exchange has voiced strong reservations about the proposals, although the Stock Exchange has in the past publicly supported the introduction of legislation in this area. Opponents of change fear that legislation would put unfair burdens on company directors and others who might reasonably want to deal in the shares of companies in which they are involved. They also suggest that legislation is not the most effective way of dealing with what is anyway a fairly uncommon activity.

U.S. legislation

In many other major stock markets, however, such legislation exists. In the U.S., an insider can be attacked on three fronts. He can be sued for money damages by the person with whom he dealt. The Securities and Exchange Commission can seek an injunction against future violations, and can obtain other sanctions which include forcing the offender to give up his illicit gains. Finally, he can be nailed by the Department of Justice, which can indict him on a criminal charge and seek to have him sent to jail.

But such indictments are rare. It is difficult to make a criminal case stand up, since it has to be proved that the offender has criminal motives, and there has only been one fully litigated criminal action in recent years. The SEC says (wistfully) that there could be more in future as definitions become more refined.

Civil actions are much more common, since all that has to be proved is that the rules have been broken. They are based on the SEC Act of 1934 which prohibits manipulative and deceptive practices in general terms. A landmark in the development of such cases was the SEC's actions against Texas Gulf Sulphur which made a major copper strike in Canada in 1964. Texas Gulf originally dismissed speculation about its find as "premature and possibly misleading" — but four days later it confirmed a "major discovery." In the months leading up to the second announcement, it emerged that officers of the company had made significant share purchases.

The courts ruled that anyone in possession of material inside information must either disclose it or—if unable to do so—must refrain from dealing in or recommending the securities.

The proof of the pudding is the impact which the "material information" has on the share price when it is finally disclosed. The SEC has run into brick walls on a number of occasions when its investigations have ended up in an anonymous Swiss bank account. But the perfect criminal, it seems, is comparatively rare. Insiders can go to great lengths to keep their deals secret—and then tell their best friends to buy the stock.

This SEC system is the model for Japanese security laws. The Tokyo Stock Exchange Committee handles suspect cases, but it is rare for them to get as far as the courts. Canada, too, has its own legislation—and its own definition of an insider, who is a director or officer of the company, or one of its five highest paid employees, or anyone who owns more than 10 per cent of the stock. People in this category must disclose their dealings in detail—but here again, it seems, transgressions do not often come to light.

French categories

This system of disclosure also used to be the practice in France, but it has been superseded by legislation dating from 1970 which makes it a criminal offence to use privileged information in dealing on the Bourse. The Commission des Operations de Bourse polices the market and hands over details of suspicious behaviour to the public prosecutor.

The law distinguishes two categories of potential transgressor: officials of the company concerned (even if indirectly, as in a takeover bid), and all other persons—accountants, bankers, brokers—who come into contact with privileged information in the course of their work. The first of these classes is presumed to be privy to secret information whereas in the second category the prosecution is required to prove that the accused had privileged access.

Penalties range up to thousands of pounds in fines and a year in prison. A dozen or so prosecutions—all but one successful—have been made in the eight years since the law came in, and company directors, bank officials, an actuary and, alas, a journalist have been convicted.

The COB considers the law has been reasonably effective but two areas of difficulty remain; one involves foreign operators and the other cases in which, for example, a bank is engaged at the same time in corporate finance and in buying shares for unit trusts. The banks have agreed to keep such operations separate but control presents obvious problems.

German banks

In Germany and Switzerland there is no law against insider dealings as such, although in Germany the various Bourses have set up committees to deal with problems in this area; in Dusseldorf for instance the committee is chaired by a judge and includes representatives from industry and the banks. These markets are dominated by the banks which argue that their own high standards make legislation unnecessary. In Holland a dishonest broker would be struck off the Bourse register but would only find himself in court if he had committed some breach of the commercial code, which does not specifically cover insider dealing.

Finally, Australia, where four states — New South Wales, Queensland, Victoria and Western Australia — brought insider dealing within the scope of their Securities Industries Acts in 1975. The legislation deals very thoroughly with insider transactions whether done directly by the insider or at one or several removes. In Victoria the penalty can be a fine of A$10,000 or five years in prison, but only one case has been brought.

The inference to be drawn from all this is that if insider trading does become a criminal offence in the UK, the law is likely to be applied infrequently. And the fear that innocent people might be hounded is not justified by experience elsewhere. The message from other markets is first, that it is difficult to make criminal charges stick and secondly, that the hardened insider dealer will probably have committed other offences as well — for which it will be easier to nab him.

Leyland Vehicles 'must link with a rival to survive'

BY MICHAEL CASSELL

LEYLAND VEHICLES, the truck, bus and tractor manufacturing subsidiary of BL (formerly British Leyland) will survive only if it mergers or co-operates with another major truck supplier, Mr. Desmond Pitcher, the company's former managing director, has warned.

Mr. Pitcher left Leyland Vehicles in July after only 18 months in the job, although he is still retained by BL as a consultant. Leyland Vehicles has been a healthy profit-earner in the past for BL, but recently its production, market share and profitability have fallen substantially, and it has caused growing concern for BL executives.

According to Mr. Pitcher, Leyland Vehicles has a future only if it seeks some form of co-operation or a merger with either a major European or American 'bus producer.

In addition, he said, the company would have to increase substantially what he described as its "debilitated overseas marketing efforts." In the first half of this year the company's overseas operations provided its only profits.

In a letter to the Sunday Times, Mr. Pitcher emphasised that the trades unions involved would also have to accept greater working flexibility and a cut in manpower in line with the company's competitors.

Rationalisation

At present the company employs about 30,000, and there have been strong suggestions that some rationalisation of plant is now considered necessary. The future of units such as Guy in Wolverhampton, AEC at Southall, and 'bus and chassis plants in Bristol and London have been considered.

Mr. Pitcher also urged that the major investment programmes planned by Leyland Vehicles should be completed as rapidly as possible. During his brief time with the company, he was responsible for pushing through investment plans totalling about £100m.

He commented: "The difficulties Leyland is in—and this applies equally to the mass car division—are the result of not having vehicles the customers want (even if they could be sure of getting them) and too many people making too few of them.

"Even if these basic problems were solved and the company was suddenly blessed with good industrial relations, it would find itself with too small a market in which to sell. Leyland's attempts to increase its market share in Europe have been a total failure. Fiat and Mercedes are already each producing four times LV's 30,000 vehicles a year."

It is known that the company has had talks with a number of European vehicle companies with a view to various forms of co-operation, such as the discussions with a Fiat subsidiary which envisaged a joint programme for the development of components.

EEC steel exports worry U.S. groups

BY ROY HODSON

COLORADO SPRINGS, Oct. 1

JAPANESE AND U.S. steelmakers complained today that European companies were causing new instability in world steel trading by selling cheaply into overseas markets.

At the heart of the matter is the high volume of European steel sales in the U.S. — 748,000 tonnes in July, and 661,000 tonnes in August.

On the eve of the annual meeting of the International Iron and Steel Institute here, Mr. Lewis Foy, chairman of Bethlehem Steel and president of the U.S. Iron and Steel Institute, said: "The EEC is heading for very serious trouble."

The U.S. industry was working at 85 per cent of capacity and the level was falling as imports continued to rise.

"The Japanese have been acting responsibly by showing restraint over their steel exports. But the Europeans, who have been given every chance to increase their selling prices in the U.S., are collectively behaving very irresponsibly."

Japanese company heads are, so far, avoiding making public statements. But privately the Japanese are saying that in view of the European industry behaviour in the U.S. market, they have no intention of renewing their one-year agreement with the European Economic Commission to restrain sales into Europe.

Ceiling

Japan will sell only about 700,000 tonnes of steel in the EEC in 1978, although the agreement with the Community provides for a ceiling of 1.3m. tonnes. The Japanese feel that they have been sticking to the spirit of voluntary restraint as well to the letter of the agreement.

A possible outcome is that the U.S. steelmakers may put new pressure on their Government to revise and strengthen the trigger price system designed to limit cheap foreign steel imports.

The American companies would then seek to have the trigger system related to the cost of European steel production. The present system is based on the Japanese cost of producing steel.

At the time of its inception last year the main concern of the Americans was to limit imports of Japanese steel. Since then, however, Japanese sales in the U.S. have fallen and for 1978 they are expected to be between 15 and 20 per cent below last year.

Meanwhile, total U.S. steel imports have risen by 30 per cent. Most of the additional tonnage has come from Europe.

Complaints

The special position of the British Steel Corporation in the international row has been recognised by the Americans, and the Armco steel company has withdrawn the last remaining U.S. anti-dumping complaints against it.

Mr. William Verity, chairman of Armco, said the lifting of complaints against British Steel sales of cold rolled steel in the U.S. was "an expression of good faith."

He warned, however, that if the trigger price mechanism "should founder," Armco would institute "an even fuller range of anti-dumping complaints."

While U.S. sales by some French and German companies have risen sharply this year, British Steel has cut its U.S. trade by 50 per cent under the threats of dumping charges.

At one time last winter British Steel had seven anti-dumping complaints against it. They have been withdrawn gradually during recent months.

Japan renews car exports pledge

BY MICHAEL CASSELL

THE BRITISH Government expects shipments of Japanese cars to fall considerably in the next few weeks as a result of renewed assurances from Japan on the level of exports to this country.

The Department of Trade said last night that Mr. Toshio Komoto, Japan's Minister of International Trade, had given a renewed assurance during the weekend that shipments would now drop and that, as a result, car imports in 1978 would not exceed the 1977 level of 151,000.

Mr. Komoto is believed to have told British officials in Tokyo that he would be asking Japanese car producers to observe their previous pledges to limit exports to the U.K.

Last night, the Department of Trade said: "Although the agreement with the Japanese has not yet been breached, it looked as though the final shipment figures for the year would be well above the levels pledged. These additional assurances about limiting imports are very welcome."

The weekend's developments followed a week of hectic activity in both Tokyo and London following the British Government's growing concern over the rising level of Japanese car sales and shipments to the UK. Last week Sir Michael Wilford, British Ambassador in Japan, asked Mr. Komoto for an explanation of how his government planned to fulfil its pledge to limit shipments this year to 1977 levels.

Mr. Edmund Dell, Trade Secretary, also had talks last week with the Japanese Ambassador to the UK to emphasise the Government's concern.

Editorial comment, Page 4

Continued from Page 1

Labour

andthe Engineering Workers who between them account for nearly 2m of the 6.5 conference votes.

Last night Mr. Moss Evans, general secretary of the Transport Workers, delivered a long attack on the 5 per cent policy. He said his union would support any member who went on strike if an employer, under threat of sanctions, refused to negotiate the basic wage rise.

The unions would be asking the Government simply to abandon the present policy and would not be prepared to discuss "some widening of the norm."

If the policy was maintained, then it could make it even harder than usual to secure Labour's re-election, he said.

On Thursday the TGWU's finance committee is expected to make the Ford strike official at a cost to the union — the biggest in the company — of about £250,000 a week.

The GMWU which has only 2,000 members at Ford, has now made the strike official and will be paying £8.50 a week strike pay to each member.

Mr. David Basnett, GMWU general secretary and head of the Trade Union Committee for Labour Victory, said last night that he expected "a winter of discontent" on the labour scene. But he added that he did not agree with others that pay policy would be the main issue at the next general election.

Continued from Page 1

BP–Veba

a major strengthening of its structure and long-term prospects.

Besides the DM 800m which is was due to receive from BP, Veba had been assured of at least 3m tonnes of crude a year up to the end of the century, at market prices.

In view of the paucity of oil reserves actually owned by West German interests, this long-term agreement with a reliable major supplier is strategically advantageous to Bonn as well as to Veba.

If BP does choose to take its case directly to Count Lambsdorff, it will be able to raise these broader economic and political issues, whereas a court action against the Cartel Office decision would have to be based on more narrowly-drawn legal grounds.

Thorn closes freezer factory at Hartlepool

BY JOHN LLOYD

THORN ELECTRICAL Industries is to close its refrigerator and freezer factory in Hartlepool, Cleveland, on October 27, with a loss of about 400 jobs. The group puts much of the blame on declining Continental export orders.

Thorn ranks with GEC as one of the UK's two leading manufacturers of refrigerators and freezers.

The Hartlepool plant, which was established only three years ago largely to serve the export market, is a victim of a slump in overseas demand for UK refrigerators. The influx of cheap refrigerators and freezers from Eastern Europe into Western Europe, especially in the past years, has left the UK products unable to compete in price.

The problem is compounded by a slump in domestic demand over the past two years. Workers at the company's Spennymoor plant, County Durham, which makes lighting and other consumer products as well as refrigerators and freezers, have been on a four-day week since August. About 5,000 people work at Spennymoor.

Between January and June of this year, UK sales of refrigerators have fallen by 16 per cent, while sales of freezers have fallen by about 33 per cent.

The share of the UK market taken by imports, especially of combined fridge-freezers, has been about 40 per cent and growing.

Thorn blames the domestic slump partly on foreign imports and partly on two bad summers which have depressed demand in the peak selling times. No upturn is expected in the market before next summer.

Weather

UK TODAY

CLOUDY with occasional rain.

London, S.E., Cent. S., E. England, E. Anglia, E. Midlands
Channel Islands
Dry at first, rain later. Max. 16C (61F).

S.W., N.W., N.E., Cent. N. England, Wales, Lakes, W Midlands
Cloudy, occasional rain. Max. 16C (61F).

Isle of Man, Borders, Edinburgh, Dundee, S.W. Scotland, Glasgow
Rain. Max. 14C (57F).

Aberdeen, Cent. Highlands, Moray Firth
Rain. Max. 13C (55F).

N.E. Scotland, Orkney, Shetland
Rain. Max. 12C (54F).

Argyll, N.W. Scotland, N. Ireland
Showers, sunny intervals. Max. 14C (57F).

Outlook: Showers in the north. Mainly dry in the south.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amsdm	C	12	54	Luxemb'g	R	7	45
Athens	S	24	75	Madrid	C	17	63
Bahrain	S	32	90	Manchstr	F	14	57
Barcelona	R	18	64	Melbourne	C	19	66
Beirut	S	26	82	Milan	F	11	52
Belfast	S	14	57	Montreal	C	13	55
Belgrade	F	21	70	Moscow	R	1	29
Berlin	F	13	55	Munich	R	7	45
B'mghm	C	13	55	Newcastle	F	12	54
Bristol	C	14	57	New Delhi	S	29	84
Brussels	C	10	50	New York	C	20	68
Budapest	F	15	59	Oslo	S	7	45
B. Aires	S	25	75	Paris	F	14	57
Cairo	S	30	86	Perth	R	25	77
Cardiff	C	14	57	Prague	C	9	48
Chicago	S	17	63	Reykjavik	C	9	48
Cologne	C	11	52	Rio de J'o	S	28	82
Copnhagn	C	10	50	Rome	S	19	66
Dublin	F	16	61	Singapore	C	18	65
Edinbrgh	F	13	55	Stockholm	F	8	46
Frankfurt	C	10	50	Strasbrg	C	13	55
Geneva	C	11	52	Sydney	S	20	68
Glasgow	S	13	55	Tehran	S	28	82
Helsinki	F	6	43	Tokyo	C	24	75
H. Kong	C	26	80	Toronto	C	14	57
Jo'burg	S	25	77	Vienna	C	13	55
Lisbon	F	20	68	Warsaw	R	10	50
London	C	15	59	Zurich	F	10	50

HOLIDAY RESORTS

Ajaccio	C	18	64	Las Plms	F	20	68
Algiers	C	19	66	Locarno	F	16	61
Biarritz	C	12	54	Majorca	C	18	64
Blackpool	S	15	59	Malaga	S	27	81
Bordeaux	R	14	57	Malta	S	24	75
Boulogne	F	11	52	Nairobi	S	20	68
Casablnca	C	25	77	Naples	R	22	72
Cape Twn	C	15	59	Nice	F	19	66
Corfu	C	22	72	Nicosia	S	27	81
Faro	S	26	79	Oporto	C	18	64
Florence	C	18	64	Rhodes	S	26	79
Funchal	C	23	73	Salzburg	R	7	45
Gibraltar	F	24	75	Tangier	C	23	73
Guernsey	C	13	55	Tenerife	S	26	79
Innsbruck	R	6	43	Tunis	F	25	77
Inverness	C	13	55	Valencia	F	22	72
Isle of M.	S	14	57	Venice	C	14	57
Jersey	C	13	55				

S—Sunny. C—Cloudy. R—Rain. F—Fair.

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